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Vision | Statement

To facilitate Jamaica becoming a net exporting country by being a visionary, innovative and creative trade financing institution.

Mission | Statement

To facilitate sustainable economic growth through increased exports and sustained job creation by providing competitively-priced trade financing solutions to the productive sector including exporters, potential exporters and direct suppliers to exporters.

This we will achieve by being visionary, innovative, creative, customer-focused and viable with a highly efficient, motivated and performance-driven team.

Corporate | Profile

The National Export-Import Bank of Jamaica (EXIM Bank) is Jamaica's premier trade financing institution and the Caribbean's first Export-Import Bank. It plays a fundamental role in national development by providing a wide range of financing instruments at competitive interest rates for the country's productive sector. It aims to assist in the growth of this sector and to contribute to the development of the wider national economy.

The Bank was established in May 1986 and has, over the years, honoured its mandate of helping business ventures become viable and competitive in international markets. Specific focus is placed on SME entities involved in non-traditional exports, such as Tourism, Manufacturing, Agro-processing, Mining, the Service Industry, Information Communication and Technology and the Creative Industries.

EXIM Bank offers an impressive suite of financing products to these entities. It is particularly known for its trade financing facilities and specifically its international lines of credit, which enable Jamaican companies to do business with any country in the world. Its products and services aim to fulfill both the short and medium-term needs of its customers and the facilities are available in both Jamaican and US-Dollar denominated currencies.

The Bank also recognizes that linkage service companies that are connected to exporting and manufacturing entities play a vital role in the growth of these sectors, so they are also included in the Bank's group of qualified borrowers. These include farmers who provide fresh produce to agro processors; professionals such as Haulage Contractors, Mechanical and Electrical Engineers who support the bauxite industry; Tourism linkage companies such as operators of attractions, in-bond merchants and persons providing ground transportation services, as well as companies in the service industry.

EXIM Bank will assist you in **"Realising Your Productive Promise"** and you can **"Expect to Succeed" !**

5 year | Financial Highlights

FINANCIAL POSITION (J$ MILLIONS)

	2015	2014
Total Assets	7,628.09	8,160.19
Cash and Cash Equivalents	1,855.30	1,836.71
Notes Discounted	1,822.11	2,189.65
Investments	584.80	561.44
Shareholder's Equity	2,482.24	2,375.46

EARNINGS (J$ MILLIONS)

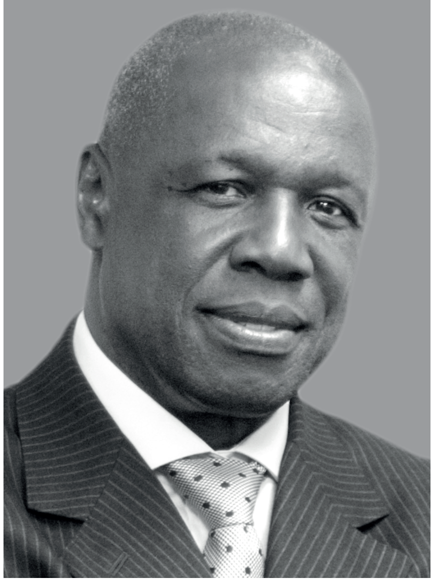
	2015	2014
Total Revenue	588.96	727.66
Operating Profit	337.90	420.50
Profit Before Tax	-25.74	103.27
Profit After Tax	-11.45	78.03

FINANCIAL RATIOS (%)

	2015	2014
Return on Assets	-0.15%	1.00%
Return on Equity	-0.46%	3.30%
Admin. Expense Ratio	61.74%	43.60%
Operating Profit Margin	57.37%	57.79%

2013	2012	2011
Restated	Restated	
8,437.35	7,695.04	7,863.61
1,841.26	576.91	757.07
2,658.63	2,698.70	2,965.27
479.27	519.46	609.63
2,363.30	1,910.88	1,869.57
Restated		
651.32	572.01	569.27
384.80	339.68	289.85
73.60	167.47	7.37
56.70	109.58	4.46
0.70%	1.40%	0.06%
2.40%	5.70%	0.24%
47.80%	30.10%	50.99%
59.10%	59.40%	52.28%

Message | from the Chairman



The bedrock of EXIM Bank's 29 year history has been its ability to respond to changes in the macro and meso environments, albeit varied and sometimes complex as they have become over the years. This we continue to believe is critical in order to deepen our reach and impact, as well as to entrench our relevance to SMEs in Jamaica's economic landscape. Additionally, at no other time in the Bank's recent history has adaptability been more important than it is now, as the Bank positions itself to achieve higher loan targets for the new financial year.

Financial year ending March 31, 2015 was marked with lower than projected demand for commercial loans from the business sector particularly from SMEs. The national statistics bore this fact out despite a declining interest rate regime. This was further supported by our loss of competitive advantage as commercial banks scrambled to increase their loan books by reducing rates and offering significant fee reductions. This resulted in a decrease in the organisation's total loan disbursements to $6.7 billion for the period which was short of expectations. I also signalled to the organisation that more would have to be done to stimulate the productive sector.

The environment that we continue to operate in is an extremely challenging and difficult one; not only for the Bank but for our clients and we appreciate and understand that it is our role as the country's Export and Import Bank to provide solutions and fill the gaps that impede their growth. This is integral as we work to foster an enabling environment for SME's to thrive.

EXIM Bank's record in driving growth in the productive sector through the provision of competitively priced loan financing and other value-added support services is unchallenged. Our high customer satisfaction ratios support the value that our customers believe we deliver in our services. The Bank is focused on supporting and encouraging bold, innovative and viable indigenous businesses to become industry leaders despite the challenges.

Undaunted by the current challenges, we will continue to work steadfastly and purposefully to develop products and implement programmes that meet the needs of the various sectors that have demonstrated the potential to earn additional foreign exchange and contribute positively to the GDP. Some of the sectors which will continue to be our areas of focus are agro-processing, general manufacturing, tourism, services and apparel. The Bank will also focus greater attention on value chains to identify more opportunities for intervention whilst building stronger relationships with key public and private stakeholders.

The Bank will give greater emphasis on creativity , innovation and customer-centricity not only in our service delivery but also in our internal processes. We will, in this strategic period, adopt aggressive change management intiatives geared towards best practice. The development of a more sustainable financial model will also be one of the key intiatives for the upcoming strategic period. This is critical to ensure that the Bank can play the catalytic role that is the hallmark of EXIM Banks globally.

So, as we continue on a path to strengthen and expand the Bank's capacity and impact, we have set even more aggressive performance targets which are squarely rooted in ensuring the success of our customers. We are ever mindful that "Only those who risk going too far, will indeed know how far they can actually go".

"EXIM Bank's record in driving growth in the productive sector...is unchallenged"

Hon. William E. **Clarke**, O.J., C.D.

Board of Directors

Hon. William E. **Clarke**, O.J., C.D. (Chairman)

Lisa **Bell**
(Managing Director)

Andrea **Cowan**

Effie **Crooks**

Megan **Deane**

Doreen **Frankson** C.D.

Annalise **Harewood**

Amb. Derick **Heaven** C.D.

Courtney **Williams**

Enith **Williams**

The Hon. William E. Clarke OJ, CD, LLD (Hons), FICB held the position of President and Chief Executive Officer of Scotiabank Group Jamaica for thirteen years, having served the organization in several capacities for forty years. In 2002, the Government of Jamaica conferred on him Commander of the Order of Distinction for his service in the field of Banking and in 2007, the Order of Jamaica for his contribution to Banking and Public Service. In addition to these and several other awards, Northern Caribbean University also admitted him to the Degree of Doctor of Laws, Honoris Causa in 2004. Mr. Clarke is a graduate of the Harvard Business School International Senior Management Program/ Advanced Management Program and he holds a Diploma in Management Science from the Institute of Canadian Bankers. He has also been a Fellow of the Institute of Canadian Bankers (FICB) since 1985.

Doreen Frankson is the Founding Partner and Managing Director of Edgechem Jamaica Limited; a position she has held since 1991. Ms. Frankson is a graduate of Reyerson Polytechnic Institute in Canada and Harvard Business School. She currently serves as Chairman of the Jamaica Business Development Corporation; Chairman of the Devon House Development Company and is a Past President of the Jamaica Manufacturers' Association. In 2006, the Government of Jamaica conferred on her Commander of the Order of Distinction in recognition of her contribution to the Manufacturing Sector and the Advancement of Industrial Production.

Mrs. Bell has held the position of Managing Director since May 2010. She has over twenty years experience in providing financial, analytical, project and general management expertise in both the private and public sectors. Prior to joining EXIM Bank, Mrs. Bell held the position of Deputy President of Jamaica Promotions Corporation (JAMPRO). She holds a Master of Business Administration with a specialization in Finance and a Bachelors of Business Administration from the University of Miami, Florida, USA.

Annalise Harewood has served on a number of boards over the past 15 years including the Urban Development Corporation, Fiscal Services Jamaica and the Jamaica Mortgage Bank among others. A past graduate of the University of the West Indies, she holds a BSc in Economics and Accounting and an MBA in Banking and Finance and is a certified PMP. She has also been a member of the Kiwanis Club of New Kingston since 2000 and has held various positions within the club. Ms. Harewood previously worked in the investment industry, then insurance for 7 years before joining Digicel Jamaica where she has been for the last 4 years and is currently the Head of Recharge.

Andrea Cowan is the Chief Executive Officer of Lillan Limited, a position that she has held for over 20 years. Mrs. Cowan is a founding member of the Refrigerated Cargo Importers' Association, a board member of the Companies Office of Jamaica and is the current president of the Women Business Owners Association Jamaica. She is a current Director of Jamaica Wells & Services Limited. Mrs. Cowan holds a Bachelor of Arts Degree from Spelman College in the United States.

Ambassador Derick Heaven has served his country in several key areas. He served as Chief Executive Officer of the Sugar Company of Jamaica from 1999 to 2003 and Executive Chairman of the Sugar Industry Authority from 2013 to 2014. He also served as the Chairman of the Council of the International Sugar Organization up to 2014 when he retired from the Sugar Company of Jamaica. Ambassador Heaven worked for several years as a Diplomat. He was elected to the Jamaican Parliament in 1976 and served as Junior Minister of Foreign Affairs and Cabinet Minister for Industry and Commerce. In 1999, the Government of Jamaica conferred on him Commander of the Order of Distinction for his services to the country. Ambassador Heaven was recently appointed to serve as the Chairman of Jamaica Cane Product Sales Limited.

Effie Crooks is an accountant in public practice and a financial management consultant with a combined 30 years experience in statutory auditing, internal control review and institutional strengthening. Ms. Crooks is the managing partner of the auditing firm, Crooks Jackson Burnett, which conducts statutory audit reviews, spanning a wide array of industries. She is a fellow of the Institute of Chartered Accountants of Jamaica and serves on certain sub-committees of that body.

Courtney Williams has held the position of Senior Director in the Ministry of Finance & Planning since 2005. Currently, he sits on the CARICOM Working Group on Fiscal Policy Coordination; the Ministry of Finance & Planning Audit Committee and the Board of Directors of the Statistical Institute of Jamaica. Mr. Williams was a member of the United Nations Committee on Contributions from 2009 to 2012. He holds a BSc. Degree in Economics & Management from the UWI; a Certificate in Tax Analysis & Revenue Forecasting from Harvard University and a Masters Degree in International Affairs from Columbia University.

Megan Deane is a Management Consultant whose most recent assignment was to establish CreditInfo Jamaica Ltd., the country's first licensed credit bureau. Having successfully completed the assignment, she is transitioning to a member of the Board of Directors and is also a Director of CreditInfo Guyana Limited. Ms. Deane also sits on the board of the Nuttall Memorial Hospital Limited and represents the EXIM Bank on the Board of Directors of Associated Manufacturing Limited. She has over 25 years of experience in the private and public sectors. She holds a Bachelor of Science Degree in Management Studies from the University of the West Indies; obtained an MBA in Marketing and Finance from the University of Ottawa having been awarded a Canadian Commonwealth Scholarship and attended Boston University as a Hubert Humphrey Fellow focusing on the area of finance.

Enith Williams is an Independent Consultant who has years of experience in the business & financial industry, as well as government and non-profit entities in Jamaica and the USA. She currently serves clients in New York and the Caribbean through her consultancy. Ms. Williams holds a BSc. Degree in Political Science from Williams College; completed coursework for a Masters Degree in Education from Fordham University Graduate School of Education and holds Professional Certificates in Finance and Non-Profit Management from the New York Institute of Finance. Ms. Williams also a Director of Barita Investments Limited.

Corporate Governance

Strong governance ensures that EXIM Bank carries out its mandate responsibly and effectively, whilst safeguarding the assets and interests of our Shareholder and promoting and facilitating the sustainable growth of the productive sectors of Jamaica.

This Corporate Governance Statement outlines EXIM Bank's corporate governance policies and procedures for the year ended 31 March 2015. The Board of Directors of EXIM Bank is a strong advocate of good corporate governance.

EXIM Bank's Corporate Governance Framework operates in accordance with the corporate governance charters, policies and codes of conduct adopted by the Board.

The Board recognises that corporate governance is a constantly evolving concept and therefore regularly reviews and updates the Company's governance charters and policies by reference to public sector guidelines and best practices in Jamaica and overseas.

The role of the Board of Directors is to oversee and guide the management team with the aim of protecting and enhancing the interests of the Shareholder and achieving the Bank's Mission and Vision. With the exception of the Managing Director, the Board is made up of independent Directors. These Directors possess a mix of skills, qualifications and experiences to the benefit of the Bank, its stakeholders and clients.

The Board meets quarterly to consider issues of strategic direction guided by its Charters, specific policies, performance objectives and key initiatives. In order to achieve and maintain optimum levels of procedural transparency, analytical rigour and observance of public sector guidelines and best practices, the Board has established a number of committees. These committees serve to increase the efficiency of the Board and to assist in the handling of complex issues. The Committees meet as needed and work with the Senior Management Group, which is charged with the responsibility of implementing the decisions of the Board. There are three (3) such committees which operate within defined, regularly reviewed terms of reference laid down by the Board.

Directors are expected to bring their views to the Board's deliberations independent of management and free of any business or other relationship or circumstances that could materially interfere with the exercise of objective or unfettered judgment. Directors are required to avoid conflicts of interest and to immediately inform the Board should a conflict of interest arise.

Enterprise Risk Management Committee (ERMC)

The broad mandate of this Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with regard to the risk appetite of the Bank and the risk management and compliance framework and governance structure that supports it. Risk appetite is defined as the level and type of risk which the Bank is able and willing to assume in its exposures and business activities, given its business objectives and obligations to its shareholder and stakeholders.

The Committee members are: The Hon. William E. Clarke, OJ, CD, LLD (Hons.), FCIB (Chairperson), Ms. Megan Deane, Mrs. Andrea Cowan, Mr. Courtney Williams, and Miss Enith Williams. The Committee met four (4) times for the year

Audit & Conduct Review Committee (ACRC)

The broad mandate of this Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for (1) the integrity of the Bank's Financial Statements; (2) the Bank's compliance with Corporate Governance, Legal and regulatory requirements; (3) the independent Auditor's qualifications and independence; (4) the performance of the Bank's internal Audit function and independent Auditors; (5) the achievement of operational efficiencies; and (6) the approval of the Budget and Corporate Plan, pursuant to the Public Bodies Management & Accountability Act.

The Committee members are: Ms. Effie Crooks (Chairperson), The Hon. William E. Clarke, OJ, CD, LLD (Hons.), FCIB, Ms. Annalise Harewood (Appointed 28th July 2014), Mr. Courtney Williams and Ms. Enith Williams. The Committee met five (5) times for the year.

Human Resource & Pension Committee (HRPC)

The mandate of this Committee is to assist the Board in fulfilling its oversight responsibilities for the appointment, performance evaluation and compensation of the Bank's Managing Director and Senior Management, succession planning and other Human Relations issues and administration of the National Export-Import Bank Pension Fund ("the Pension Fund").

The Committee members are: Ambassador Derick Heaven, CD (Chairperson), Mrs. Andrea Cowan, Ms. Megan Deane and Ms. Doreen Frankson, CD. The Committee met four (4) times for the year.

Attendance Records of Directors at AGM, BOARD, ERMC, ACRC and HRPC Meetings (April 2014 – 31st March 2015)

Number of Meetings	AGM 1	BOARD 7	ERMC 4	ACRC 5	HRPC 4	No. Required	No. Attended
Directors							
The Hon William E Clarke, OJ, CD (Chairman)	1	7	4	5	•	17	17
Lisa Bell (Managing Director)	1	7	4**	5**	4**	17	17
Andrea Cowan	1	4	3	•	2	16	9
Effie Crooks	1	7	•	5	•	13	13
Megan Deane	1	6	3	•	3	16	13
Doreen Frankson, CD	1	6	•	•	4	12	11
Annalise Harewood*	0	4	•	3	•	7	7
Ambassador Derick Heaven, CD	1	4	•	•	3	12	8
Courtney Williams	1	4	3	4	•	17	12
Enith Williams	1	7	3	5	•	17	16

• Non Member ** Non Member * Appointed 28th July 2014

Managing Director's Report

The financial year 2014/2015 marks twenty-nine years of EXIM Bank's dedicated financial support to the productive sectors of the Jamaican economy, with particular focus on the non-traditional exporting sectors and the growth of Small and Medium-sized Enterprises (SMEs) engaged in manufacturing, agro-processing, tourism linkages, mining, information communication technology, services and the creative industries.

The economic challenges of the 2014/2015 Financial Year in both the global and local environment, impacted the Bank's performance vis a vis its targets, as the operating environment proved more difficult than anticipated. The Bank experienced an overall low demand for commercial loans from the business sector, particularly from SMEs due to the slow rate of growth of the economy in the first half of the financial year, the devaluation of the local currency and high energy costs. Additionally, EXIM faced strong competition from the traditional banking sector which provided special loan programmes at low rates of interest to the Bank's target market.

With sustained determination to meet its long term strategic objective to expand lending to the SME sector, the Bank recorded financing of J$4.64 billion to this sector, J$440 million of which was loaned to new SME clients. Loans to the SME sector represented 69% of the Bank's total utilization of $6.70 billion recorded at financial year-end 2014/2015, which represented a marginal increase over total loan utilization of J$6.46 achieved at previous year-end 31 March 2014.

Total revenue was recorded at J$588.96 million, 19.06% below the previous year, due to lower than projected loan growth in the first half of the financial year, which impacted interest income and contributed to the loss of J$11.45 million at year end 2014/2015. Aggressive initiatives are being implemented to reverse this position in the upcoming financial year . Continued effective credit management and due diligence enabled us to maintain a viable loan portfolio with a bad debt provision ratio of 2.75%, well below industry average, recorded at year end 2014/2015. Shareholder's Equity closed the year at J$2.48 billion and is expected to be increased from capital injections during the 2015/16 financial year.

Strategic Initiatives

Among the Bank's overarching goals were improved access to financing for SMEs and the provision of a framework which effectively supports the growth and development of the sector. In this light, SMEs benefitted from the Bank's partnership with the Development Bank of Jamaica through which they were able to access loan funds utilizing the Credit Enhancement Fund Facility (CREF) which provided partial guarantees as collateral support.

In its thrust to deliver value added services to support SMEs, the Bank continued to partner with other key stakeholders with emphasis on export growth and global competitiveness and provided support through the Bank's Business Advisory Services (BAS) Unit. Information was disseminated by the BAS Unit to keep customers and potential customers abreast of topics such as the National Security Interest in Personal Property (NSIPP) Registry, the new tax regime and general 'doing business' requirements. Commendations were received from customers on the value and timeliness of the information provided through this channel. In continued support of national initiatives geared at economic development, the BAS Unit also hosted a forum for entrepreneurs to gain insight on the Logistics Hub Initiative. With the improved BAS website portal and expanded service offerings, information disseminated to existing and potential clients was far-reaching and well received. In order to promote awareness and "name recall" around the Bank's products and services, digital advertising was revived

2.75%

bad debt provision ratio

J$440m

loan to new SME Clients

J$4.64b

total financing to the SME sector

and resulted in a massive increase in media exposures for the Bank.

As a part of the broader Export Network, the Bank collaborated with the Ministry of Industry, Investment & Commerce (MIIC) in making recommendations for their submission on 'Rationalisation of Financing Programmes and Services to the MSME sector' and participated in the MIIC's Small Business Development Centre (SBDC) model project meetings which sought to establish collaboration between several statutory entities on warehousing information for MSMEs. The Bank also participated in planning meetings for the second phase of the National Export Strategy (NES) which considered initiatives relating to Light Manufacturing, Agro Processing and Agro Business Sector strategies. Further contribution was given to the IDB-driven diagnostic assessment on the current status of MSME financing in Jamaica. These initiatives are expected to redound to broad based SME growth, enhanced entrepreneurial skills and innovation.

These efforts were bolstered further through the Bank's participation in JAMPRO's Export Max programme and collaborative initiatives with the Jamaica Exporters Association (JEA), the Jamaica Manufacturers Association (JMA) and the Jamaica Chamber of Commerce (JCC). Specially designed loan programmes with these entities also assisted constituents in accessing the required financing. On-going collaboration was maintained with the tourism linkages and agro-processing sectors as well as emerging sectors, particularly the creative industries. In further support of entrepreneurship, the Bank also participated at the Executive level at the Venture Capital conference hosted by the Development Bank of Jamaica in addressing financing options for women-owned businesses.

There was increased engagement of domestic policyholders as the Bank sought to expand utilization of the Trade Credit Insurance (TCI) product and in so doing provide additional receivables financing solutions for SMEs.

The Marketing Unit continued to harness various public-private partnerships to increase the Bank's impact within the productive sector with the roll-out of an intense marketing campaign. Key sponsorships and high level involvement in the activities of various Private Sector groups resulted in increased brand awareness. The unique radio programme EXIMBankJa, remains the leading source of the Bank's media exposure, while other sources such as time signals and articles published on the Bank's website and social media sites, also contributed to the level of exposure.

An enviable customer satisfaction rating of 94% was achieved through the provision of an enabling environment with the right structure and resources.
A strong risk governance culture was maintained which ensured frequent monitoring, assessment and reporting of enterprise-wide risks and resulted in the Bank being fully compliant with statutory and regulatory requirements.

Ongoing efforts to foster increased innovation and the use of technology in the Bank's core operations saw continued enhancements in internal processing and systems delivery. An expansive Human Resource Management System, Orange HRM Professional was implemented to improve HRA processes through automation. The Bank also remained committed to ensuring a highly skilled staff cadre through training and developmental activities to improve skills, encourage innovation and adaptation to change.

International Arena

The EXIM Bank continues its strong association with international lending agencies from which it sources low-cost funds for on-lending. Through these longstanding and viable partnerships, the Bank is able to access special facilities as a public entity. These include, BLADEX (Banco Latino de Exportaciones), of which we are shareholders and continue to benefit from a long-standing Line of Credit to facilitate the importation of raw materials, equipment and spares, for our customers; the Inter-American Development Bank and the Caribbean Development Bank.

Since its inception in 1986, the Bank has also maintained strong association with umbrella organizations through which industry information is disseminated. As a member of the Berne Union, an Association of the International Credit and Investment Insurers, the Bank is able to keep abreast of new methodologies and best practices in the International Trade Credit Insurance marketplace.

The Bank is also a member of the Latin American Association of Credit Insurance (ALASECE), a non-profit, private entity whose members offer trade credit insurance in Latin America and the Caribbean.

On the Road to Success

In the final year of its 3-year strategic plan (2013-2016) the EXIM Bank will continue its business development thrust and focus on growth, particularly in supporting improved export performance of our clients, providing flexible and innovative financial solutions to SMEs. The implementation of an aggressive and concerted sales programme driven by a sustained marketing programme is therefore at the forefront of the activities which will be undertaken in the 2015/2016 financial year. As in the year under review, there will be continued focus on expanding the loan portfolio, providing creative financing solutions for SMEs as we look to identifying new business opportunities, supported by competitively priced sources of funding and well needed capital in the new financial year.

The Bank plans to escalate its stakeholder engagements with a view to solidifying the various public-private sector partnerships already established and to build on the goodwill and confidence which we enjoy with our customers, validated by the excellent results of our recent customer satisfaction survey.

The Bank also proposes to establish a Change Management programme in the 2015/2016 financial year to focus on core values and to engender higher levels of performance and alignment of all staff with the Bank's strategic objectives.

The EXIM Bank has contributed in a meaningful way to the growth and development of the nation and I am deeply thankful to all those who have contributed over the last 29 years. The support of the Management Group coupled with the dedication and resilience of the staff over these years, have undoubtedly facilitated the Bank making remarkable progress in the sustainable development of the organization. I am also very thankful to the Board of Directors for its invaluable guidance and stewardship this past year which has contributed greatly to the Bank's achievements.

> *"In its thrust to deliver value added services to support SMEs, the Bank continued to partner with other key stakeholders with emphasis on export growth and global competitiveness..."*

Lisa Simone **Bell**
Managing Director

Lisa Bell
Managing Director

Geta Wright-Jarrett
Manager, Finance & Information Systems

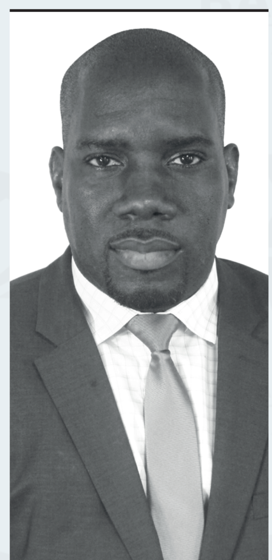
Valerie Crawford
Manager, Trade & Commercial Lending

Maria Burke
Legal Counsel & Corporate Secretary

Shauna Powell-Ricketts
Manager, Internal Audit

Senior Management

Stephanie Murdock
Manager, Human Resource & Administration

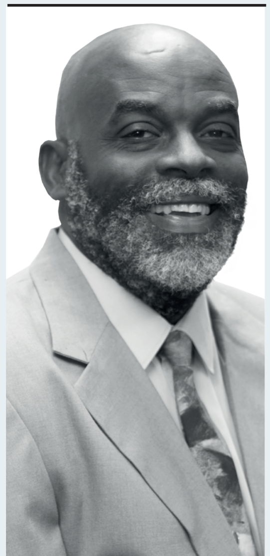


Odean White
Manager, Risk Management

Audrey Morris
Operations & Credit Insurance

Sharon Powell
Strategic Planning & Research

Shelly-Ann Henry
Marketing



Hamlin Pagon
Information Systems

Venitia Hawthorne
Accounts

Chief Officers

Melrose Mason
Finance

Charles Lewis
Loan Administration

Management | Discussion and Analysis

The Management Discussion and Analysis (MDA) is intended to give key stakeholders and other interested parties an objective overview of the Bank's operational results and key initiatives undertaken within the period to assess and to measure the organization's impact and influence on the communities it serves.

Our Bank

Our Bank aims to become the premier trade financing institution in Jamaica and the Caribbean, being the region's first ever Export-Import Bank. We play a leading role in national development by providing a wide range of short and medium term financing products and services at competitively priced interest rates for the productive sectors of the economy. Loans are available in local and foreign currency for the acquisition of capital and intermediary goods and for working capital support. We remain the only institution in Jamaica which offers Trade Credit Insurance which protects policyholders against the risk of non-payment by buyers, locally and overseas. An added feature of the Trade Credit Insurance is that policyholders with established buyers with a proven track record, can obtain receivables financing under the Bank's Insurance Policy Discounting Facility (IPDF) for goods sold to approved buyers.

Since commencing operation in May 1986, we have developed a strong reputation within the financial landscape as being an institution known for its service delivery quality, becoming identified over the years,as the "Exporters' Bank" because of our significant contribution to the growth of the non-traditional export sectors. Through our partnership with the Jamaica Exporters' Association, (JEA), the Jamaica Manufacturer's Association (JMA), the Jamaica Bureau of Standards and JAMPRO, we have been able to widen and broaden the country's export drive into new and emerging markets. The Bank also supports the country's thrust to develop and foster entrepreneurship while continuing to support SME growth in targeted sectors such as Tourism, Manufacturing, Agro-processing, Mining, Services, Information Communication and Technology and the Creative Industries.

Strategy Management

The Bank uses a 3-year strategic planning review framework in order to establish its corporate roadmap with the attendant strategic initiatives, thereby ensuring that it achieves its Corporate objectives while meeting its mandate to provide financial solutions to the exporting and productive sectors (particularly SMEs). The Balance Scorecard methodology is used to set, measure and assess performance standards across the institution, using both qualitative as well as quantitative measures covering the key areas of impact including financial, customers, employees and internal processes. It also assists the Bank in fulfilling its overarching strategy to create sustained value to stakeholders, by monitoring organizational goals and objectives and in ensuring that strategic initiatives are aligned with corporate strategies.

Our Financial Performance

The 2015 financial year was characterized by increased competition among banks for loans, continuing instability in the foreign exchange market and reduced spending in the economy all of which adversely impacted loan demand.   These factors negatively impacted the Bank's revenue during the financial year, resulting in the organization recording a loss of J$11.45 million, a reversal of the prior year results when a profit of J$78.03 million was recorded.

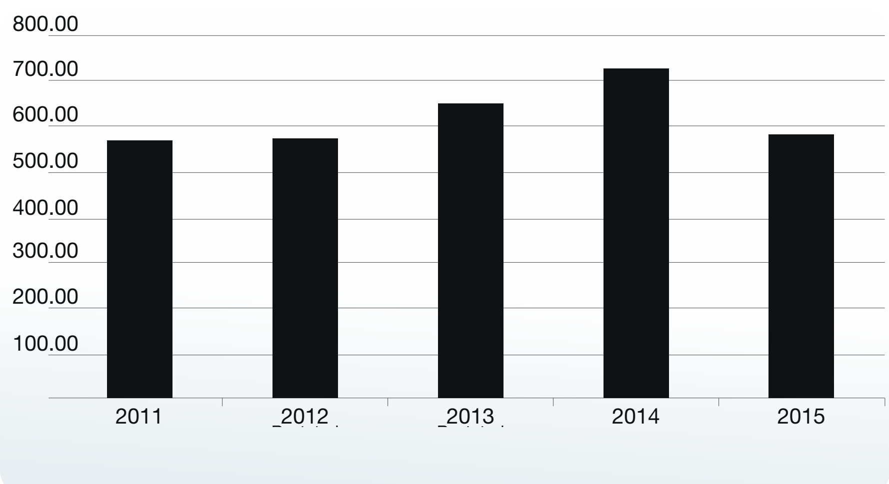
Income

Total Income recorded for the year ended 31 March 2015 was J$588.96 million, 19.06% below the figure of $727.65 million recorded at 31 March 2014. Loan interest income also ended the year lower, moving from $487.10 million recorded at 31 March 2014 to $465.83 million at 31 March 2015, a 4.37% reduction. As a result, Net interest income also declined, as it ended at J$294.46 at year end March 2015, against J$350.10 million at year end March 2014.

The foregoing when coupled with other income, viz dividends from Banco Latinamericano de Exportaciones (Bladex) shares and foreign exchange gains which amounted to $21.98 million and $16.92 million respectively, resulted in a 19.64% decline in operating profit which moved from J$420.50 million in at March 2014 to J$337.90 million at year end March 2015.

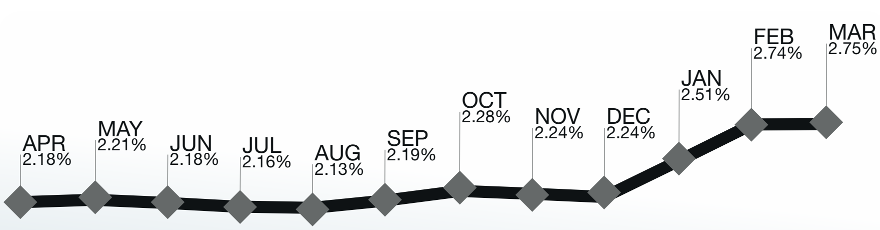
The overall decline in income combined with an increase in administrative expenses, resulted in the Bank posting

Total Revenue (J$'M)



an after tax loss of J$11.45 million for the year ended March 2015.

Bad Debt Provision
Through careful risk assessment as well as strong relationships maintained with clients, the Bank was able to maintain its non-performing loans within industry standards. At 31 March 2015, the Bank's bad debt provision as a percentage of its loan portfolio was recorded at 2.75%, which compared favourably with its performance target of 5%.



Bad Debt provision (%)

Total Assets
The total assets of the Bank decreased from $8.2 billion at 31 March 2014 to $7.6 billion at March 2015, representing a 7.32% decrease. Cash and Cash Equivalents recorded at $1.8 billion, remained relatively flat, while Notes and other receivables (Lines of Credit) decreased from $1.3 billion to $849 million, a 34.70% decline. Notes discounted also recorded reduced results ending the year at J$1.8 billion, 18.18% below the figure of J$2.2 billion reported for 2014.

Shareholders' Equity
The Bank's Share Capital remained unchanged at J$602.00 million while Shareholder's Equity recorded a marginal improvement moving from J$2.38 billion at year end March 2014 to J$2.48 billion at March 2015. The Bank is mindful of the need to significantly increase its capital base if it is to continue to meet its stated objectives of growing the country's non-traditional export sector and increase its ability to lend at competitive rates of interest to SME borrowers. Based on discussions, it is expected that there will be an equity injection in the first quarter of the 2015/2016 financial year to facilitate the Bank's projected growth agenda.

Lending Operations

Despite the challenging operating environment, the Bank achieved loan utilization of J$6.72 billion for the period ended March 2015, 4% above the J$6.46 billion achieved in 2014. It is worthy of note that loans to

SME's which constitute the major focus of the Bank's lending activities, continued to reflect positive results, as loans to that sector were reported at J$4.64 billion at March 2015, 69% of the Bank's overall lending for 2015. This is indicative of the continued strong support which the Bank has been providing to the SME sector, widely regarded as the sector with the greatest growth potential in the economy. Further disaggregation of the figures showed that just over J$3 billion in loans were disbursed under the various local currency facilities, mainly for working capital support, while US$32.27million was disbursed under foreign currency facilities. While the Bank's overall loan utilization fell below the projected target, it nevertheless reflected the Bank's continued commitment to provide tangible financial support to key sectors of the economy.

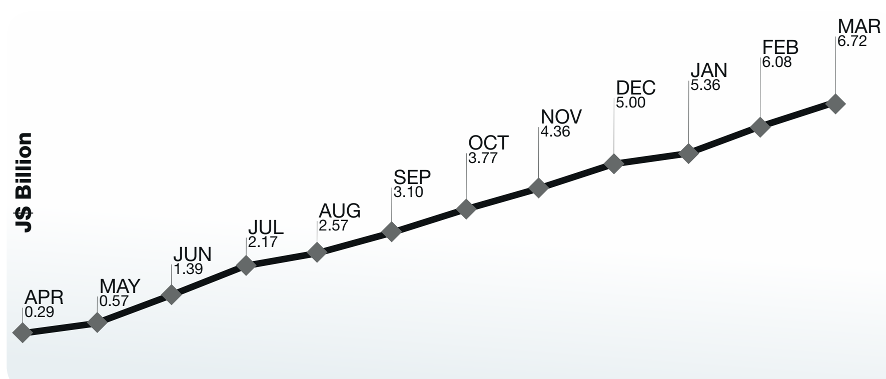
It is significant to note that over the past two financial years, loans through the Bank's Approved Financial Intermediaries (AFI's) continued to decline due to the convergence of interest rates brought about by the two debt exchange programmes. This development is significant, as in previous years, AFI loans represented as much as 70% to 80% of the Bank's loan portfolio. It is against this background that the Bank has ramped up its marketing and promotional activities while strengthening stakeholder relationships, in an effort to rebuild its loan book and expand its asset base.

The Bank added twenty seven new customers, engaged in agro processing, services, animation, manufacturing and distribution for financial year 2015, accounting for loans totaling J$1.24 billion. This surpassed the new customer target of $405 million by 206.17%.

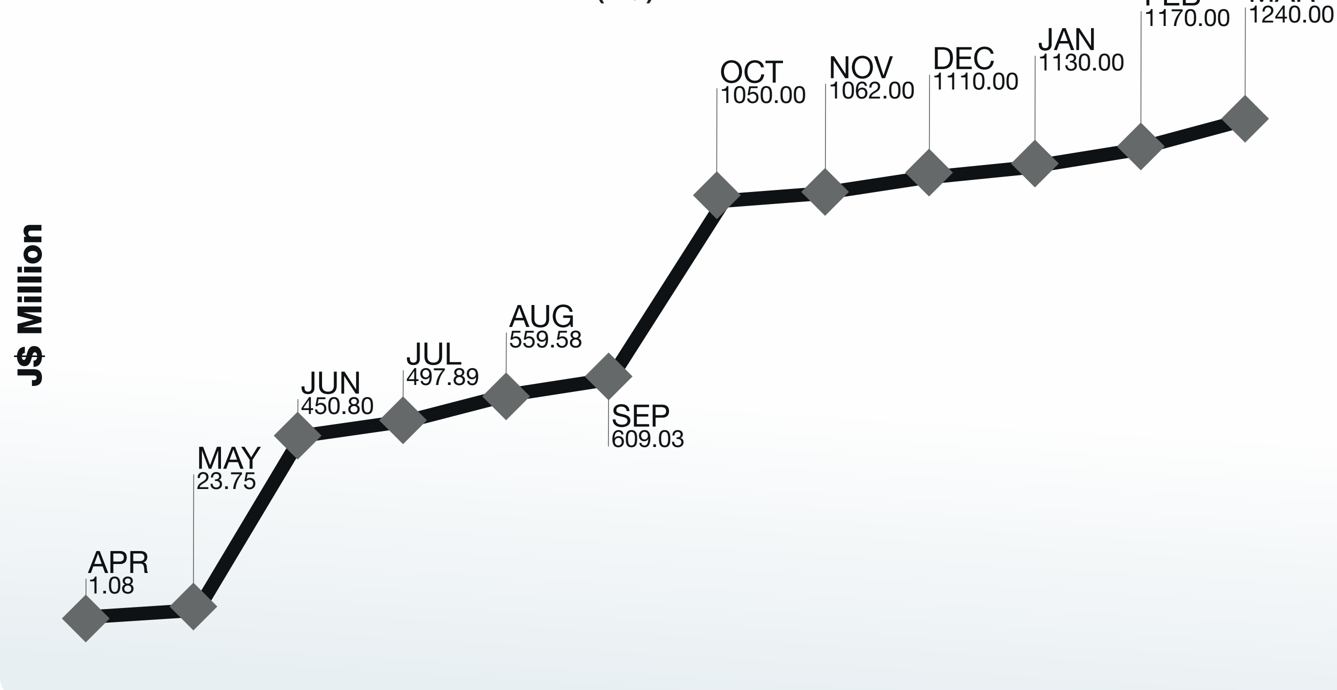
The Bank also broadened its reach into the relatively new area of financing alternate energy solutions with the disbursement of loans totaling J$109.23 million.

Having recognized that low interest rates can no longer be the area of competitive advantage, the Bank paid added attention to the provision of a superior customer experience through reduced processing times, enhanced customer service and flexible collateral requirements. Based on the feedback received from our recent customer survey, the Bank continued to be viewed as a high

Value of LOAN DISBURSEMENT



Value of LOANS to New Customers (J$)



performing institution which delivers quality service at an affordable price, by over 90% of its customers.

Through its unique Trade Credit Insurance (TCI) product, the Bank continued to safeguard its TCI policyholders against the risk of non-payment by their buyers and therefore encouraged policyholders to expand trade into new markets. Under the TCI, policyholders can recover up to 85% commercial risk of losses occasioned by non-payment by approved buyers, along with 90% political risk, with the policyholders assuming the remaining 15% and 10% respectively. TCI offers coverage at competitive premium rates and has allowed for the discounting of receivables through its short term Insurance Policy Discounting Facility (IPDF). This loan facility requires flexible collateral support which the assignment of the TCI policy affords. The Bank currently has a risk exposure of J$0.55 billion representing the aggregate limits issued to policyholders at financial year end 2015.

EXIM Bank's CDN$10 million Line of Credit to Cuba continues to provide critical support for Jamaican companies exporting to Cuba which has long been identified as a market with great potential for the export of Jamaican products. In an effort to realise the significant export opportunities and expand the utilization of the Line of Credit facility, the Bank has been in dialogue with JAMPRO to implement initiatives for market penetration along with greater collaboration, to achieve increased business.

The Bank continued to engage stakeholders in the Creative Industries, and joined forces with the Ministry of Industry and Commerce and the Jamaica Intellectual Property Office (JIPO), in developing the framework for the exciting new Animation sector, now identified as one offering potential for foreign exchange earnings and job creation.

Tangible support continued to be provided to the exporting community to meet the requirements of the International Food Safety Standards eg. The Food Safety Modernization Act (FSMA), and Hazard Analysis Safety Standards (HACCP), through collaboration with the Jamaica Bureau of Standards, the Ministry of Agriculture and the Jamaica Agro-Processors Association (JAPA).

The Bank also continued its strong partnership with the Development Bank of Jamaica (DBJ), to provide financing support to companies particularly SMEs, seeking to implement renewable energy solutions to reduce high energy costs. The take-up this past year has been encouraging and it is expected that with the recent modification to the Credit Enhancement Fund, a facility offered by the DBJ which provides guarantees up to 80% for amounts borrowed for energy loans, more companies will be able to access financing, thus increasing the take up of loan offerings.

The Tourism Linkage Financing Facility, a short term working capital loan programme, which provides receivables financing of up to 80% of invoiced amounts, gained greater traction in the year supported by the Bank's marketing and promotional strategies. This facility encourages greater use of locally produced goods and services in the local Tourism sector, with the Bank providing financing support for the discounting of receivables, thereby allowing the supplier increased working capital to expand operations.

Business Advisory Services

For the period under review, the Bank worked to optimise the effectiveness of its Business Advisory Services Unit (BAS), which primarily facilitates information sharing, knowledge transfer and business development training of entrepreneurs to promote more sustainable and bankable businesses. Through increased interactions with existing and potential entrepreneurs in the SME sector, the Bank was able to address a number of issues and challenges affecting its target group relating to marketing, technology, taxation, business networking and the regulatory environment, using the avenue of its BAS radio programme, EXIMBankJa. This was supported by the launch of a print feature in the Jamaica Business Observer which carried weekly excerpts of various episodes of the BAS radio programme. Additionally, along with the successful staging of a BAS workshop on Strategic Content Marketing, the Unit expanded its partnership with the Katalyxt Business Development Team to have dialogue with SME's and youth innovators and offered them support through the Katalyxt Roundtable Discussion, Business Development Conferences and the organisation's online information portal 'Infokat'.

Special focus was also given to increasing the available resources on the BAS Online Portal, usage of which has been growing steadily month over month. The Unit also disseminated over 60 bulletins throughout the year with valuable information and insights pertaining to operating a business particularly in the current economy. This was also supported by the 'BAS Tips Corner' via the Bank's social media channels, which featured useful tips from successful Jamaican and overseas entrepreneurs.

Ongoing collaborations with organizations such as the Bureau of Standards, Scientific Research Council, Tax Administration of Jamaica, Ministry of Agriculture, Ministry of Tourism, JEA, JMA, Katalyxt Business Development, JIPO, Trade Board, among others, will continue in order to use shared platforms to reach similar target audiences, expand reach and impact, and entrench the value of the Bank's BAS-led initiatives.

Key Stakeholders

The Bank developed strong partnerships with a number of key stakeholders which continued to provide support in areas such financial, technical and capacity building.

In the International Arena, the BERNE Union, (the International Union of Credit and Investment Insurers) which represents Export Credit Agencies golbally, played an integral role in keeping us abreast of the export credit insurance marketplace. The Bank continued to enjoy a mutually beneficial relationship with Banco Latinamericano de Exportaciones (Bladex), which continued to provide Line of Credit facilities to finance the importation of raw material and intermediary goods by our clients. Through the Caribbean Export Development Agency (CEDA), financial assistance in the form of grants was provided to small and medium sized enterprises to strengthen their operational, financial and marketing capabilities to improve their export performance.

Multi-National Partners
The Bank has engaged both the Inter-American Development Bank (IADB), the International Finance Corporation (IFC), a division of the World Bank, and the Petrocaribe Development Fund for financial and technical support which has enabled it to provide greater levels of financing to its client base, in particular, small and medium sized enterprises. The Bank considers these entities as important partners as it seeks to deepen and strengthen its relationship with the key sectors of the Jamaican economy.

Local
The Bank has forged strategic alliances with a number of key stakeholders, both public and private, to foster the development of key sectors. These include JAMPRO, the country's premiere trade promotion agency, with which a Memorandum of Understanding is in place, outlining a range of initiatives and areas of cooperation to expand trade and support capacity building of SMEs, The Bureau of Standards, The Scientific Research Council,

The Ministries of Industry Investment and Commerce, Tourism and Entertainment and Agriculture.

The Bank has also developed close working relationships with the key industry stakeholders such as the Jamaica Exporters' Association (JEA), the Jamaica Manufacturers' Association (JMA), the Jamaica Hotel and Tourist Association (JHTA), the Jamaica Agro Processors Association, the Private Sector Organization of Jamaica (PSOJ) and the Jamaica Chamber of Commerce (JCC) and its affiliates, to help to advance the interest of the business sector by sponsoring seminars, trade shows and other developmental initiatives.

Risk Management

The EXIM Bank is committed to an enterprise wide approach to the continuous identification, analysis, reporting, monitoring and management of risks. The Bank's robust risk management framework and culture which focuses on the attainment of an appropriate balance between risk and return and the mitigation of adverse effects on the Bank's financial value and business operations, ensures compliance with regulatory requirements and standards of best practice, as well as conformity with the Bank's risk appetite. The framework incorporates strong risk governance and operational structures which ensure that the requirements of the risk management policy are achieved. The Bank's risk governance structure includes administrative controls which are effected through relevant Committees of the Board (Audit and Conduct Review, Enterprise Risk Management and Human Resource and Pensions Committees) and Executive Management, and manages risk by ensuring that lending activities are compliant with its risk appetite/tolerance. The Internal Audit Division independently and objectively monitors the effectiveness of risk management policies, procedures and internal controls. The principal risks assumed in the conduct of the Bank's activities are credit, liquidity, market and operational risks and consequently, during the year, these risks were closely monitored.

Our People

The fiscal year 2014/15 marked the fifth year under the Memorandum of Understanding (MOU), signed between the Government of Jamaica (GOJ) and the Jamaica Confederation of Trade Union (JCTU) and other public sector groups. This MOU outlines, inter alia, the GOJ's policy of restraint in respect of wages and employment, which continues to have a negative impact on our ability to effectively respond to the needs of staff. Despite the challenges of the 2014/2015 financial year, the Board and Management team of the EXIM Bank continued to find creative ways to "ease the burden" on employees including, but not limited to the implementation of any new benefits that became available under the MOU.

As the Bank continues to operate in a challenging macroeconomic environment, we understand that critical to the Bank's success is a motivated, goal-oriented team with a cadre of officers with an entrepreneurial spirit. We have therefore sought to improve existing processes, implement new ones and have pursued an aggressive Learning and Development Agenda. In this connection, we will continue our focus on developing our team members, as we strive to not only be an elite Public Sector Entity, but a key player in the financial services sector.

To align itself to the Government's environmental standards of protection, maintenance and enhancement of the Jamaican environment, the Bank continued the implementation and review of cost saving measures and waste reduction as it related to water, electricity and use of stationery through training and teambuilding exercises. Sound environmental management was also extended to our clients, who were encouraged to outline their environmental initiatives in their loan financing applications.

Corporate Social Responsibility

This remained a high priority on the Bank's agenda despite economic challenges. Through various committees, the work continued towards the fulfillment of our responsibility to serve the needs of others. Some of the organizations that benefitted during the period were the Leila Tomlinson Wareika Hills Basic School, Best Care Foundation, Child Development Agency and Missionaries of the Poor. Additionally, several charities and other worthy causes in the wider society continued to benefit from the combined contributions of the staff and the Bank. Consistent with our focus in previous years, the major beneficiaries in the social outreach programmes were projects geared towards children.

Corporate Citizenship

The Bank continued to demonstrate its wider support for the development of manufacturing and exports, and maintained its sponsorship of the cash award along with the EXIM Bank's Trophy to the winner of the Governor General's Award for the Manufacturing and Good Corporate Citizenship at the Jamaica Manufacturers' Association Annual Awards Banquet.

EXIM Bank's Business Advisory Services (BAS) Seminar on "Strategic Content Marketing - Driving Business Demand"

EXIM's Sigma Corporate Run team shows just how excited it is to compete for a good cause.

Angela Clarke embraces one of the students of the Leila Tomlinson Basic School during the EXIM Bank's 2014 Christmas Outreach treat.

Compensation Package

Board of Directors

Directors are paid a fee for attendance at each meeting in accordance with Government Regulations. For the year under consideration, compensation amounting to $912,500.00 was paid.

Executive Management Summary	
Basic Salary Range of Executive Management	$3,923,922.23 - $9,536,149.00
Motor Vehicle Allowance:	
Managing Director	$1,470,000.00
Manager	$318,830.00 - $1,162,790.88
Other Allowances:	
Managers	$318,830.00 - $1,162,790.88
Performance Incentive Pay	$0

Notes

- **I.** Executive Management includes Managing Director and six (6) Managers.
- **II.** The above figures represent actual amount paid and includes pro-rated payments and payments for a period less than one year.
- **III.** Other Allowances for Managers is for clothing allowance.
- **IV.** All members of the Executive Management team are engaged on fixed term contracts and are not eligible to participate in the Bank's a non-contributory pension plan. All Contract Officers are eligible for the payment of a performance gratuity representing 25% of basic salary.
- **V.** All members of the Executive Management are eligible to participate in the staff loan schemes and the Group Health and Life Insurance Schemes.

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of National Export-Import Bank of Jamaica Limited

Report on the Financial Statements

We have audited the accompanying financial statements of National Export-Import Bank of Jamaica Limited, which comprise the statement of financial position as at 31 March 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of National Export-Import Bank of Jamaica Limited (Continued)

Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of National Export-Import Bank of Jamaica Limited as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Other Matter

The financial statements of the Bank for the financial year ended 31 March 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 June 2014.

Report on Additional Requirements of 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, and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act, in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

29 June 2015

Year ended 31 March 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Interest and fee income:			
Loans		465,826	487,081
Investments		63,887	118,470
		529,713	605,551
Interest and fee expense:			
Loans		(211,867)	(223,813)
Lines of credit		(23,389)	(31,638)
		(235,256)	(255,451)
Net interest income		294,457	350,100
Credit losses	3 (a)	(15,813)	(51,704)
		278,644	298,396
Other income:			
Dividend income		21,980	17,529
Fees and other charges		3,719	2,991
Foreign exchange gains		16,920	77,371
Insurance premium		2,099	8,326
Other	5	14,533	15,890
		59,251	122,107
Operating Profit		337,895	420,503
Administration expenses	6	(363,638)	(317,236)
(Loss)/profit before taxation		(25,743)	103,267
Taxation	8	14,296	(25,239)
Net (loss)/profit for the year		(11,447)	78,028
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss:			
Unrealized gains/(losses) on available-for-sale financial assets	8	67,758	(13,782)
Items that will not be reclassified to profit or loss:			
Gain on property revaluation, net of taxes	8	55,795	-
Remeasurement of pension and other employment benefit obligation, net of taxes	8	(5,327)	(52,092)
Total Other Comprehensive Income/(Loss)		118,226	(65,874)
Total Comprehensive Income		106,779	12,154

Statement of Financial Position
As at 31 March 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
ASSETS			
Cash and deposits	9	1,855,303	1,836,707
Notes and other receivables	10	848,787	1,288,035
Notes discounted	11	1,822,105	2,189,649
Medium-term loans receivable	12	1,094,335	1,182,658
Demand and non-accrual loans	13	976,751	737,806
Investments	14	584,796	561,443
Letters of credit		42,673	123,435
Long-term loans receivable	15	44,014	22,319
Income tax recoverable		120,842	103,070
Deferred tax assets	20	12,165	8,209
Post-employment benefit asset	16	-	9,525
Property, plant and equipment	17	66,318	97,334
Investment property	18	160,000	-
Total Assets		7,628,089	8,160,190
LIABILITIES			
Payables		39,575	88,816
Short-term loans and lines of credit	19	125,738	352,131
Long-term loans payable	21	4,804,067	5,111,842
Letters of credit		42,673	123,435
Post-employment benefit liability	16	18,366	-
Post-employment benefit obligation	16	115,434	108,509
Total Liabilities		5,145,853	5,784,733
EQUITY			
Share capital	22	601,824	601,824
Capital reserve	23	352,458	352,458
Reserve fund	24	189,846	189,846
Reserve for trade credit insurance	25	7,802	7,802
Investment revaluation reserve	26	315,302	247,544
Property revaluation		55,795	-
Retained earnings		959,209	975,983
Total Equity		2,482,236	2,375,457
Total Liabilities and Equity		7,628,089	8,160,190

Approved for issue on the Board of Directors on 29 June 2015 and signed on its behalf by:

The Hon. William E. Clarke OJ, CD LLD, (Hons.), FCIB — Chairman

Lisa Simone Bell — Managing Director

Effie Crooks — Audit Committee Chairman

Year ended 31 March 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital $'000	Capital Reserve $'000	Reserve Fund $'000	Reserve for Trade Credit Reserve $'000	Investment Revaluation Reserve $'000	Property Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 April 2013	601,824	352,458	178,141	7,802	261,326	-	961,752	2,363,303
Comprehensive Income -								
Net profit	-	-	-	-	-	-	78,028	78,028
Other comprehensive income, net of taxes:								
Unrealised fair value loss on available-for-sale investments	-	-	-	-	(13,782)	-	-	(13,782)
Remeasurement of pension and other	-	-	-	-	-	-	(52,092)	(52,092)
	-	-	-	-	(13,782)	-	(52,092)	(65,874)
Transfer to reserve fund (Note 24)	-	-	11,705	-	-	-	(11,705)	-
Balance at 31 March 2014	601,824	352,458	189,846	7,802	247,544	-	975,983	2,375,457
Comprehensive income -								
Net loss	-	-	-	-	-	-	(11,447)	(11,447)
Other comprehensive income, net of taxes:								
Gain on property revaluation (Note 18)	-	-	-	-	-	55,795	-	55,795
Unrealised fair value gain on available-for-sale investments	-	-	-	-	67,758	-	-	67,758
Remeasurement of pension and other	-	-	-	-	-	-	(5,327)	(5,327)
					67,758	55,795	(5,327)	118,226
Balance at 31 March 2015	601,824	352,458	189,846	7,802	315,302	55,795	959,209	2,482,236

Year ended 31 March 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Cash Flows from Operating Activities			
Net (loss)/profit		(11,447)	78,028
Adjustments for:			
Depreciation	17	8,410	7,534
Loss on disposal of property and equipment		179	1
Foreign exchange gains		(16,920)	(77,371)
Interest and fee income		(529,713)	(588,022)
Dividend income		(21,980)	(17,529)
Interest and fee expense		235,256	255,451
Income tax expense	8	(14,296)	25,239
Post-employment benefits		30,186	13,267
		(320,325)	(303,402)
Changes in operating assets and liabilities -			
Notes and other receivables		433,222	185,454
Notes discounted		347,259	(29,283)
Medium-term loans receivables		85,434	433,321
Demand and non-accruals loans		(238,945)	(473,533)
Long-term loans receivable		(22,149)	999
Payables		(49,241)	43,115
		235,255	(143,329)
Income tax paid		(26,030)	(9,899)
Interest and fees received		560,951	645,362
Dividend received		21,980	17,529
Interest and fees paid		(236,030)	(257,500)
Net cash provided by operating activities		556,126	252,163
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	17	(63,180)	(4,126)
Proceeds from disposal of property and equipment		-	10
Investments		42,822	(48,630)
Net cash used in investing activities		(20,358)	(52,746)
Cash Flows from Financing Activities			
Short-term loans and lines of credit		(226,206)	(137,119)
Repayments of long-term loans payable		(307,188)	(350,536)
Proceeds from long-term loans payable		17,985	196,020
Net cash used in financing activities		(515,409)	(291,635)
Net increase/(decrease) in cash and cash equivalents for year		20,359	(92,218)
Effect of foreign exchange rate changes on cash and cash equivalents		(1,763)	87,661
Cash and equivalents at beginning of year		1,836,707	1,841,264
Cash and Cash Equivalents at End of Year	9	1,855,303	1,836,707

1. Identification and Principal Activity

National Export-Import Bank of Jamaica Limited (The Bank/EXIM) is a limited liability company incorporated and domiciled in Jamaica and is wholly owned by the Government of Jamaica (GOJ). The registered office is located at 11 Oxford Road, Kingston 5, St. Andrew Jamaica.

The Bank provides financial services which include pre- and post-shipment financing, lines of credit and trade credit insurance and medium term financing, which are aimed at the development of the productive sector. Specifically, its activities are geared towards the development of the export sector; however, it also assists other productive enterprises in the area of import substitution.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in the current year
Certain new and amended standards and interpretations to existing standards became effective during the current financial year, which have impacted the Bank's accounting policies and/or financial disclosures as follows. The pronouncements were effective from 1 January 2014, unless otherwise indicated.

IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity.
The key amendments include:

- Investment entity is defined
- An investment entity must meet three elements of the definition and consider four typical characteristics, in order to qualify as an investment entity
- An entity must consider all facts and circumstances, including its purpose and design, in making its assessment
- An investment entity accounts for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which must be consolidated (investments in subsidiaries) or accounted for using the equity method (investments in associates or joint ventures)

31 March 2015
(Expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (continued)

- An investment entity must measure its investment in another controlled investment entity at fair value
- A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees
- For venture capital organizations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit and loss, is retained.

These amendments have no impact to the Bank's financial position.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
The amendment to IAS 32 clarifies the following:

- The meaning of "currently has a legally enforceable right to set-off"
- The application of the IAS 32 offsetting criteria or settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous.
- Rights of set-offs must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of bankruptcy or insolvency of all the counterparties to the contract, including the reporting entity itself. Rights of set-offs must not be contingent on a future event.
- Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion.

The amendments have no impact on the Bank's financial position.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
The following are the amendments to IAS 36:

- Removal of the requirement to disclose recoverable amount for cash generating units (CGU) that contains goodwill or indefinite useful life intangible assets when there has been no impairment.
- Disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed.
- Detailed disclosure of how the fair value less cost of disposal has been measured when an impairment loss has been recognized or reversed.

The amendments have no impact on the Bank's financial position.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

IFRIC 21 – Levies
IFRIC 21 “Levies” is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g. IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. It clarifies the existing guidance in IAS 37 “Provisions, contingent liabilities and contingent assets” for recognizing an obligation to pay a levy that is not income tax.

The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation.

This interpretation has no impact on the Bank’s financial position.

Standards, interpretations and amendments to published standards that are not yet effective
At the date of authorization of these financial statements, certain new standards, amendments and Interpretations to existing standards have been issued which are not yet effective, and which the Bank has not early adopted. The Bank is currently reviewing the impact that these standards will have on the Bank’s operation, if they are deemed to be applicable, and all applicable standards will be adopted on the effective date.

- IAS 1 Disclosure Initiative – Amendments to IAS 1 - Effective 1 January 2016
- IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 – Effective 1 July 2014
- IAS 16 and IAS 38 – Amendments – Clarification of Acceptable Methods of Depreciation and Amortization – effective 1 January 2016
- IAS 16 and IAS 41 – Amendments – Agriculture: Bearer Plants – Effective 1 January 2016
- IAS 27 – Amendments – Equity Method in Separate Financial Statements – Effective 1 January 2016
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28 - Effective 1 January 2016
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 - Effective 1 January 2016
- IFRS 11 – Amendments – Accounting for Acquisitions and Interests in Joint Operations – Effective 1 January 2016
- IFRS 14 Regulatory Deferral Accounts – Effective 1 January 2016
- IFRS 15 Revenue from Contracts with Customers – Effective 1 January 2017
- IFRS 9 Financial Instruments – Classification and Measurement – Effective 1 January 2018

Annual improvements to IFRSs 2010 – 2012 Cycle – Effective 1 January 2015
- IFRS 2 Shared Based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

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2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)
Annual improvements to IFRSs 2011-2013 Cycle – Effective 1 January 2015
- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

Annual improvements to IFRSs 2011-2013 Cycle – Effective 1 January 2016
- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

(b) Foreign currency translation

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in Jamaican dollars which is the Bank’s functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Changes in the fair value of monetary assets denominated in foreign currencies and classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes. Translation differences resulting from the changes in amortised cost are recognised in the statement of comprehensive income and other changes are recognised in equity.

(c) Financial assets

The Bank classifies its financial assets in the available for sale and loans and receivables categories. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category.

2. Significant Accounting Policies (Continued)

(c) Financial assets (continued)

Regular purchases and sales of financial assets are recognised on the settlement date – the date on which an asset is delivered to or by the Bank. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of investments classified as available-for-sale are recognised in investment revaluation reserve in equity.

Loans and receivables are carried at amortised cost using the effective interest method. The Fixed Rate Accreting Notes (FRANS) described in Note 14 have been classified within this category. The instruments are accounted for as being acquired at a discount of 22.2%. As noted in Note 2(o), the effective interest rate method will be used to calculate the applicable interest for this instrument, incorporating the discount that will be amortised over its tenure.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in investment revaluation reserve in equity are included in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Bank's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income – is removed from investment revaluation reserve in equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

(d) Loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any origination fees and transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

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2. Significant Accounting Policies (Continued)

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

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and the current economic climate in which the borrowers operate.

(e) Customers' liability under letters of credit

Where the Bank is the primary obligor under letters of credit, the amounts are reported as a liability on the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

(f) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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 items can be measured reliably.

Depreciation is calculated on the straight-line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Buildings	40 years
Office improvements	10 years
Motor vehicles	5 years
Equipment, furniture and fixtures	10 years
Computers	3 years

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in administration expenses in the statement of comprehensive income.

Repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment are reviewed for impairment 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 asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

2. Significant Accounting Policies (Continued)

(g) Investment property

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Change in fair value is recorded in the statement of comprehensive income.

An investment property is de-recognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated on the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the period in which the property is de-recognised.

(h) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Lessee
Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Lessor
Leases where the Bank does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(i) Securities purchased under resale agreements

Securities purchased under resale agreements are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less net of bank overdraft.

(k) Staff loan receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. The amount of the provision is the difference between the total principal amount outstanding and the carrying amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings.

2. Significant Accounting Policies (Continued)

(l) Borrowings

Borrowings are recognised initially as the proceeds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any differences between proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective yield method.

(m) Payables

Payables are recorded at cost.

(n) Employee benefits

Pension obligations
The Bank operates a defined benefit plan. The plan is generally funded through payments to a trustee administered fund as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at reporting date and the fair value of the plan assets, together with adjustments for actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The defined benefit obligation is measured at the present value of the estimated future outflows using discount rates based on market yields on government securities that have terms to maturity approximating the term of the related liability.

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

Past-service costs are recognised immediately in the statement of comprehensive income.

Other post-employment obligations
The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

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 the 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 statement of financial position date are discounted to present value.

2. Significant Accounting Policies (Continued)

(o) Income and expense recognition

Interest income and expense
Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing instruments using the effective interest method.

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest is taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fee income
Fee income is generally recognised on an accrual basis when the service has been provided.

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

(p) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Bank’s liability for current tax is calculated at tax rates that have been enacted at reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised as income tax expense or benefit in the statement of comprehensive income except, where they relate to items recorded in shareholders’ equity, they are also charged or credited to shareholders’ equity.

2. Significant Accounting Policies (Continued)

(q) Trade credit insurance

Trade credit insurance contracts are financial guarantee contracts which require the issuer to make specified payments to reimburse the holder of the contract for a loss they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. These amounts are recognised initially at fair value and subsequently remeasured at the higher of the specified payment obligation under the contract or the initial amount less any subsequent cumulative amortisation.

(r) Financial instruments

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

Financial assets
Financial assets comprise cash and cash equivalents, notes and other receivables, notes discounted, loans receivable, demand and non-accrual loans, investment securities and securities purchased under resale agreements. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial liabilities
Financial liabilities comprise long and short-term loans payable, letters of credit and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the Bank's financial instruments are discussed in Note 28.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Equity instrument issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Financial Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework and has established several committees with specific areas of responsibility for monitoring, evaluating and ensuring compliance. In keeping with the Bank's Credit Policy Guidelines, the Board has established Credit Committees both at the Managerial and Board levels to assess the risk exposure to which the Bank may be exposed.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. To bolster these activities, in January 2011, the Bank instituted an Enterprise Risk Management Framework (ERM) system which, among other things, provides the Bank with a risk management framework and embeds risk management principles and practices within the organisation. The main objectives of the ERM are to assist in reducing the number of operational, financial, strategic, compliance and other related risks.

3. Financial Risk Management (Continued)

The Bank, through its training and management standards and procedures, ensures that a disciplined and constructively controlled environment exists in which all employees understand their roles and obligations.

The Bank has developed Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) Policies and Procedures designed to prevent or detect any involvement in money laundering and financing of terrorism in accordance with the relevant statutes. The Compliance Officer is responsible for ensuring the effective implementation of the established policies, programmes, procedures and controls to achieve the objectives, and is required to prepare and submit a comprehensive report to the Board of Directors on a semi-annual basis. This report should include an overview and evaluation of the overall effectiveness of the Bank's anti-money laundering and anti-terrorism financing framework as well as the effectiveness of the AML/ATF measures implemented under each of the operational areas and/or product and service types.

The Bank's 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 the risks faced by the Bank. The Audit and Conduct Review Committee is assisted in these functions by Internal Audit, which undertakes both regular and ad hoc reviews of risks, management controls and procedures, the results of which are reported to the Audit and Conduct Review Committee.

The Bank is exposed to credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk. There have been no other changes other than those identified above, to the manner in which the Bank manages and measures these risks.

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Bank by failing to discharge their contractual obligations. Credit risk is an important risk for the Bank's business. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off Statement of Financial Position financial instruments such as loan commitments. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and by monitoring exposures in relation to such limits.

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Management Credit Committee (MCC), chaired by the Managing Director, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with the Senior Manager's Group, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Managing Director and Manager, Trade Financing. Larger facilities require approval by the MCC and the Board of Directors, as appropriate.

- Reviewing and assessing credit risk. MCC assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, and industries (for loans and advances).

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

- Developing and maintaining risk ratings in order to limit exposures according to the degree of risk of financial losses faced and to focus management on the attendant risks. The risk rating system is used in determining where impairment provisions may be required against specific credit exposures.

The responsibility for setting risk ratings lies with the MCC. Risk grades are subject to regular reviews by the MCC.

- Reviewing compliance of business units with agreed exposure limits. Reports are provided to the Bad Debt Committee, at least annually, on the credit quality of the loan portfolios and appropriate corrective action taken.
- Providing advice, guidance and specialist skills to analysts to promote best practice throughout the Bank in the management of credit risk.

The Trade Financing and Risk Management division (TFRM) is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Board of Directors.

The division has credit analysts supervised by the Manager of the division who reports on all credit related matters to the MCC for monitoring and controlling all credit risks in its portfolios, including those subject to Board approval. The TFRM is responsible for the quality and performance of the Bank's credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Board approval.

Regular audits of business units and the Bank's credit processes are undertaken by Internal Audit.

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. The principal collateral types for loans and advances to customers are:

- Mortgages over real estate;
- Guarantee, Promissory Note or other endorsed instruments with recourse, from the Bank of Jamaica, the Government of Jamaica or an Approved Financial Institution
- Negotiable instruments including Treasury Bills, Cash Deposits and Certificates of Deposits;
- Non-negotiable instruments including Debentures, Mortgages, Bills of Sale, Assignment of Receivables,
- Assignment of Stocks in publicly listed companies, Supported Personal Guarantees and Corporate Guarantees, whether supported or unsupported.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral.

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements (continued)
Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

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

The table below represents a worst case scenario of credit risk exposure to the Bank at reporting date, without taking account of any collateral held or other credit enhancements. Credit risk exposures are as follows:

	Maximum exposure	
	2015	**2014**
	$'000	**$'000**
Cash and deposits	1,855,303	1,836,707
Notes receivable	826,921	1,251,191
Notes discounted	1,822,105	2,189,649
Medium-term loans receivable	1,094,335	1,182,658
Demand and non-accruals loans	976,751	737,806
Investments	144,342	209,883
Long-term loans receivable	44,014	22,319
Other receivables	21,866	31,437
	6,785,637	7,461,650

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans

Credit rating system and credit quality per class of financial assets

Credit Quality
Upon approval of a loan application, each submission must carry a recommendation on the risk rating class of the applicant. The risk rating guidelines are as such:

Loans and advances to customers		
Grade Description	**Internal Credit Rating**	**Definition**
Class 1	Highest Quality	Businesses with high liquidity, excellent financial conditions, history of stable and predictable earnings, available sources of alternative funding, strong management, favourable industry trends. Businesses which generally qualify for credit without any form of security from lenders.
Class 2	Good Quality	Businesses with most of the characteristics described in Class 1. However, certain characteristics are not quite as strong, such as more cyclical earnings and less availability of alternative sources of funding in periods of economic distress. Businesses which have strong present and future earnings potential and qualify also for credit without any form of security from lenders.
Class 3	Satisfactory Quality	Companies with fair liquidity and a reasonable financial condition. Earnings may be erratic, and a satisfactory repayment is expected but not assured under all circumstances. Business which are less likely to qualify for credit without any form of security from lenders.
Class 4	Fairly Satisfactory Quality	Businesses with fair liquidity but with less than satisfactory financial conditions; however, reflect the potential to grow and improve given the necessary financial support. Business which are not likely to qualify for loans from lenders without security.
Class 5	Below Average Quality	Business with poor liquidity, high leverage and erratic earnings or losses. The primary source of repayment is no longer realistic and asset or collateral liquidation may be the only source of repayment. Loans are marginal and require continuing and close supervision by the responsible loan officer. Businesses which may secure financing with good collateral acceptable to the Bank.
Class 6	Poor Quality	Collateral, Capital Base and cash flow are insufficient to support the level of borrowing, and sources of repayment are not readily identifiable. Real possibility of full loss exists. Businesses not eligible Exim financing.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

The Bank performs regular analysis of its loans which have become past due to determine their credit quality. The categories used for this analysis include:

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). These loans are categorised as:

(i) Delinquent/past due

- Principal sum and/or accrued interest remains unpaid for a period of up to 90 days;
- Prospects for recovery are considered good;
- Loan conditions are not expected to deteriorate.
- Each loan in this category is assessed for impairment which may result in a provision being made.

(ii) Protracted delinquency
- Principal sum and/or accrued interest remains unpaid for a period of 90 days or more, and
- Prospects for recovery still considered good but protracted and therefore legal action is not contemplated or recommended.
- Each loan in this category is assessed for impairment which may result in a provision being made.

(iii) Default
- The principal sum and/or accrued interest remains unpaid for a period of 90 days or more;
- The prospects for full or any recovery are considered to be remote;
- The account has been referred to the Bank’s lawyers; and
- Bad debt provision has been made.

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 consistent payments are made on the loan it reverts to a normal loan. Should consistent payments not be made then the loan is categorised as a demand loan and remains in that category.

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are (1) a specific loss component that relates to individually significant exposures, and (2) a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Write-off policy
The Bank writes off a loan/security balance (and any related allowances for impairment losses) when the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For standardised loans with small balances, charge-off decisions generally are based on a product specific past due status.

The credit quality of loans is summarised as follows:

	2015 $'000	2014 $'000
Neither past due nor impaired	3,663,090	4,599,808
Past due but not impaired	164,099	122,714
Impaired -		
Protracted delinquency	683,953	699,784
Default	407,252	112,143
	4,918,394	5,534,449
Less: Provision for credit losses	(137,382)	(123,118)
	4,781,012	5,411,331

Included in the analysis above are renegotiated loans of $68,077,493 (2014 - $124,488,000).

The fair value of collateral that the Bank held as security for individually impaired loans was $1,026,743,000 (2014 - $838,042,000).

There are no financial assets other than loans that are considered past due.

The following table summarises the Bank's credit exposure for loans at their carrying amounts, as categorised by industry sectors:

	2015 $'000	2014 $'000
Agro Processing	1,178,719	1,470,806
Food and Beverage	28,613	213,710
Textiles and Apparel	38,336	19,833
Manufacturing	1,378,147	1,851,879
Distribution	526,533	493,090
Mining	75,151	99,870
Services and ICT	753,063	543,738
Tourism	754,138	682,154
Other	48,312	36,251
	4,781,012	5,411,331

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Movement in the provision for probable loan losses:

	2015 $'000	2014 $'000
At beginning of year	123,118	71,450
Provision made during the year	27,876	75,096
Bad debt recovered	(12,063)	(23,392)
	138,931	123,154
Provision/adjustments written-off	(1,549)	(36)
At end of year	137,382	123,118

Provision for probable loan losses comprises:

	2015 $'000	2014 $'000
Notes discounted (Note 11)	20,634	26,052
Demand and non-accrual loans (Note 13)	116,748	97,066
	137,382	123,118

Settlement risk
The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counter party to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Bank mitigates this risk by conducting settlements through Approved Financial Institutions (AFIs).

Debt securities
The following table summarises the Bank's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	2015	2014
Government of Jamaica (Note 14)	$'000	$'000
Securities purchased under agreements to resell (Note 14)	10,744	10,744
Short-term deposits (Note 9)	133,598	199,139
	1,084,749	1,486,188
	1,229,091	1,696,071

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Management of liquidity risk
The Bank's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Treasury Unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities, and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of the Bank are met through encashment of investments to cover any short-term fluctuations. The accessing of loans is used to address longer term funding.

A cash flow budget is prepared at the beginning of the year and any expected cash shortfall is identified.

The Bank then seeks additional funding to address funding needs. The daily liquidity position is monitored by the Treasury/Disbursement Units. The TFRM Division is required to submit to Treasury all expected disbursements at least two days before disbursement.

Financial liabilities cash flows
The tables below present the undiscounted cash flows payable, including principal and interest, of the Bank's financial liabilities, based on contractual repayment obligations and maturity dates.

		2015			
	Within 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Short-term loans and lines of credit	125,738	-	-	-	125,738
Long-term loans payable	234,108	615,302	3,480,356	1,198,304	5,528,070
Payables	39,575	-	-	-	39,575
Total financial liabilities	399,421	615,302	3,480,356	1,198,304	5,693,383

		2014			
	Within 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Short-term loans and lines of credit	352,131	-	-	-	352,131
Long-term loans payable	228,698	590,497	3,872,009	1,313,108	6,004,312
Payables	88,816	-	-	-	88,816
Total financial liabilities	669,645	590,497	3,872,009	1,313,108	6,445,259

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Assets available to meet all of the liabilities include cash and cash equivalents, investment securities, securities purchased under agreements to resell. The Bank is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

(c) Market risk

The Bank takes on exposure to market risks, which is the risk 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.

Currency risk

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

The Bank ensures that the net exposure is kept to an acceptable level by monitoring the level of its exposure on a daily basis against approved limits. The Bank further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

The tables below summarise the currencies in which the Bank's assets and liabilities are denominated as at year end.

	JA$ J$'000	US$ J$'000	GBP J$'000	CAN$ J$'000	Total J$'000
			2015		
Financial assets					
Cash and deposits	899,965	948,805	-	6,533	1,855,303
Notes and other receivables	14,912	709,728	-	124,147	848,787
Notes discounted	1,782,827	39,278	-	-	1,822,105
Medium-term loans	520,024	574,311	-	-	1,094,335
Demand and non-accrual loans	318,704	658,047	-	-	976,751
Investments	39,509	543,691	1,596	-	584,796
Long-term loans receivable	44,014		-	-	44,014
Total financial assets	3,619,955	3,473,860	1,596	130,680	7,226,091
Financial liabilities					
Short-term loans and lines of credit	-	-	-	125,738	125,738
Long-term loans payable	1,359,205	3,444,862	-	-	4,804,067
Payables	39,575		-	-	39,575
Total financial liabilities	1,398,780	3,444,862	-	125,738	4,969,380
Net financial position	2,221,175	28,998	1,596	4,942	2,256,711

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	JA$	US$	GBP	CAN$	Total
	J$'000	J$'000	J$'000	J$'000	J$'000
			2014		
Financial assets					
Cash and deposits	944,761	844,477	1,683	45,786	1,836,707
Notes and other receivables	34,103	866,770	-	387,162	1,288,035
Notes discounted	1,385,430	804,219	-	-	2,189,649
Medium-term loans	828,069	354,589	-	-	1,182,658
Demand and non-accrual loans	255,762	482,044	-	-	737,806
Investments	67,378	494,065	-	-	561,443
Long-term loans receivable	22,319	-	-	-	22,319
Total financial assets	3,537,822	3,846,164	1,683	432,948	7,818,617
Financial liabilities					
Short-term loans and lines of credit	-	-	-	352,131	352,131
Long-term loans payable	1,461,497	3,650,345	-	-	5,111,842
Payables	88,816	-	-	-	88,816
Total financial liabilities	1,550,313	3,650,345	-	352,131	5,552,789
Net financial position	1,987,509	195,819	1,683	80,817	2,265,828

Foreign currency sensitivity

The following table indicates the currencies to which the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The table below represents management's assessment of the possible change in foreign exchange rates and the impact on income. There is no direct impact on other components of equity. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation for the possible change in foreign currency rates. The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis.

	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect Profit on Pre-tax
	2015		2014	
Currency	%	$'000	%	$'000
			Devaluation	
USD	10	(2,900)	15	(29,373)
GBP	10	(160)	15	(252)
CAN	10	(494)	15	(12,123)
			Revaluation	
USD	-1	290	-1	1,958
GBP	-1	16	-1	17
CAN	-1	49	-1	808

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

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

The Bank takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Bank's interest rate risk policy requires it to manage interest rate risk by monitoring the maturities of its interest bearing financial assets and interest bearing financial liabilities on a daily basis.

The following tables summarise the Bank's exposure to interest rate risk. It includes the Bank financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Rate Sensitive $'000	Total $'000
			2015			
Cash and cash equivalents	1,855,303	-	-	-	-	1,855,303
Notes and other receivables	296,785	459,543	-	463	91,996	848,787
Notes discounted	279,504	554,869	712,642	145,879	129,211	1,822,105
Medium-term loans	22,333	39,772	1,029,781	-	2,449	1,094,335
Demand and non-accrual loans	-	-	-	-	976,751	976,751
Investments	62,121	71,477	-	10,744	440,454	584,796
Long-term loans receivable	6,448	115	7,589	29,862	-	44,014
Total financial assets	2,522,494	1,125,776	1,750,012	186,948	1,640,861	7,226,091
Short-term loans and lines of credit	125,738					125,738
Long-term loans payable	183,991	481,687	2,707,680	1,430,709	-	4,804,067
Payables	-	-	-	-	39,575	39,575
Total financial liabilities	309,729	481,687	2,707,680	1,430,709	39,575	4,969,380
Total interest repricing gap	2,212,765	644,089	(957,668)	(1,243,761)	1,601,286	2,256,711
Cumulative gap	2,212,765	2,856,854	1,899,186	655,425	2,256,711	

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Rate Sensitive $'000	Total $'000
		2014				
Cash and cash equivalents	1,836,707	-	-	-	-	1,836,707
Notes and other receivables	483,810	804,225	-	-	-	1,288,035
Notes discounted	513,161	931,281	745,207	-	-	2,189,649
Medium-term loans	1,893	194,158	986,607	-	-	1,182,658
Demand and non-accrual loans	734,392	3,414	-	-	-	737,806
Investments	156,594	42,545	-	10,744	351,560	561,443
Long-term loans receivable	77	923	10,492	10,827	-	22,319
Total financial assets	3,726,634	1,976,546	1,742,306	21,571	351,560	7,818,617
Short-term loans and lines of credit	163,451	188,680	-	-	-	352,131
Long-term loans payable	158,152	455,486	3,260,489	1,237,715	-	5,111,842
Payables	-	-	-	-	88,816	88,816
Total financial liabilities	321,603	644,166	3,260,489	1,237,715	88,816	5,552,789
Total interest repricing gap	3,405,031	1,332,380	(1,518,183)	(1,216,144)	262,744	2,265,828
Cumulative gap	3,405,031	4,737,411	3,219,228	2,003,084	2,265,828	

The Bank's interest rate risk arises from investments held, loan and advances to clients, and borrowings.

At the end of the reporting period, all investments held by the Bank were fixed rate instruments which the Bank intends to hold to maturity. Interest rates on all loans extended are fixed. The objective of the Bank is to support the productive sector and, as such, is not quick to vary interest rates extended to its customers.

Low cost funding is obtained from specialized institutions and the Government of Jamaica. Rates on loans are usually fixed and lenders are slow to vary interest rates applied to the loans.

The Bank's income and operating cash flows are not substantially dependent on changes in market interest rates.

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Bank is exposed to equity price risk because of equity investments held and classified on the statement of financial position as available for sale. The Bank is not exposed to commodity price risk.

The impact of a 10% change in the quoted prices for these equities would be an increase or decrease in the carrying value of $44,045,000 (2014 - $35,156,000) in equity, through other comprehensive income.

3. Financial Risk Management (Continued)

(d) Operational risk

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

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- 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 Committee and senior management of the Bank.

(e) Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(i) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide benefits for the shareholder and other stakeholders; and

(ii) To maintain a strong capital base to support the development of its business.

The allocation of capital between specific operations and activities is driven by the Bank's Strategic Plan and Budget approved by the Board of Directors, the desire to fulfill the Bank's mandate, and support by the Bank for the Government's mission to enhance growth and development.

The policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There were no changes to the Bank's approach to capital management during the year, and the Bank is not subject to externally imposed capital requirements.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. (Notes 8 and 20)

Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For investment securities that are not traded in active markets, the company used valuation techniques that include inputs for the instrument that are based on observable market data. (Note 28)

Pension and post-employment benefits
The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are to be determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost/(income) for pension and post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost/ (income) recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Bank determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-employment benefit obligations. In determining the appropriate discount rate, the Bank considered the interest rates of government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The expected rate of increase of medical costs has been determined by comparing historical relationship of the actual medical cost increases with the rate of inflation in the economy. Other key assumptions for the pension and post-employment benefits costs and credits are based in part on current market conditions. (Note 16)

Impairment losses on loans and advances
The Bank reviews its loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. (Note 3 (a))

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4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Property revaluation
The property was revalued using the market comparison approach which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject property (Note 18).

5. Other Income

	2015 $'000	2014 $'000
Trade credit insurance claim recovery	516	861
Other	14,017	15,029
	14,533	15,890

6. Expenses by Nature

Expenses other than interest and credit losses comprise administration expenses as follows:

	2015 $'000	2014 $'000
Auditors' remuneration	2,250	2,700
Depreciation	8,410	7,534
Directors' emoluments-		
Fees	684	927
Management (included in staff costs-Note 7)	17,160	17,342
Other staff costs (included in staff costs-Note 7)	215,712	209,469
Other operating expenses	119,422	79,264
	363,638	317,236

7. Staff Costs

	2015 $'000	2014 $'000
Salaries and wages	166,423	167,924
Statutory payroll taxes-employer portion	16,484	16,758
Pension asset (Note 16)	14,448	9,637
Pension obligation (Note 16)	14,776	9,858
Other staff costs	20,741	22,634
	232,872	226,811

The average number of persons employed by the Bank during the year was:

	2015	2014
Trade	17	16
Administration	49	51
	66	67

8. Taxation

Taxation is based on profit for the year adjusted for taxation purposes and comprises:

	2015	2014
	$'000	$'000
Current tax	6,482	19,374
Deferred tax (credit)/charge (Note 20)	(20,778)	5,865
	(14,296)	25,239

The tax on the profit before tax differs from the theoretical amount that would arise using the basic statutory rate of 25% as follows:

	2015	2014
	$'000	$'000
(Loss)/profit before tax	(25,743)	103,267
Tax calculated at a rate of 25%	(6,436)	25,817
Adjustment for the effects of:		
Income not taxable	(8,040)	-
Expenses not deductible for tax purposes	180	88
Other	-	(666)
	(14,296)	25,239

The tax (credit)/ charge relating to components of other comprehensive income is as follows:

	2015		
	Before tax	Tax charge / (credit)	After tax
	$'000	$'000	$'000
Item that may be subsequently reclassified to profit or loss:			
Unrealised loss on available-for-sale financial assets	67,758	-	67,758
Items that will not be reclassified to profit or loss:			
Remeasurement of pension and other employment benefit obligation	(7,103)	1,776	(5,327)
Gain on property revaluation	74,393	(18,598)	55,795
	135,048	(16,822)	118,226

	2014		
	Before tax	Tax charge / (credit)	After tax
	$'000	$'000	$'000
Item that may be subsequently reclassified to profit or loss:			
Unrealised gains on available-for-sale financial assets	(13,782)	-	(13,782)
Items that will not be reclassified to profit or loss:			
Remeasurement of pension and other employment benefit obligation	(69,456)	17,364	(52,092)
	(83,238)	17,364	(65,874)

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9. Cash and Cash Equivalents

	2015 $'000	2014 $'000
Cash	770,554	350,519
Short-term deposits	1,084,749	1,486,188
	1,855,303	1,836,707

Included in short-term deposits above is interest receivable amounting to $2,052,000 (2014 - $5,019,000).

10. Notes and Other Receivables

	2015 $'000	2014 $'000
Notes receivable	826,921	1,251,191
Receivable EXBED	21,300	26,584
Premiums receivable	566	988
Other receivables	-	9,272
	848,787	1,288,035

Included in notes and other receivables above is interest receivable amounting to $13,939,000(2014 - $19,965,000).

Notes receivable represent amounts due from clients utilising foreign currency loans and lines of credit. The average period for line of credit transactions is 180 days. Interest rates on notes receivable depend on the particular line of credit utilised and range from 8% - 10% per annum.

Receivable EXBED represents amounts advanced to the Jamaica Exporters' Association and the Jamaica Manufacturers' Association for on-lending to their members. This facility bears interest at a rate of 11%. These loans are unsecured.

11. Notes Discounted

These represent notes discounted under the pre- and post-shipment financing schemes and are made up as follows:

	Principal $'000	Interest Receivable $'000	Provision for Credit Losses $'000	Carrying Value $'000 2015	Carrying Value $'000 2014
(a) Export Credit Facility (ECF)	-	-	-	-	173,852
(b) Small Business Discount Facility (SBDF)	919,666	4,306	-	923,972	818,843
(c) Insurance Policy Discount Facility (IPDF)	64,006	1,178	(3,087)	62,097	44,336
(d) Pre-Shipment Facility (PSF)	751,927	11,809	-	763,736	1,067,843
(e) Jamaica Exporters' Association (JEA) ExBED	24,691	2,438	(17,547)	9,582	1,797
(f) Jamaican Dollar Short Term Loans	2,159	14	-	2,173	
(g) Development Bank of Jamaica Limited Loan (DBJ#3)	21,242	25	-	21,267	41,983
(h) EXIM/IADB Facility	35,981	3,297	-	39,278	37,393
(i) PetroCaribe US$20m Short Term	-	-	-	-	3,602
	1,819,672	23,067	(20,634)	1,822,105	2,189,649

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11. Notes Discounted (Continued)

Maturing as follows:

	2015 $'000	2014 $'000
In less than 12 months	963,584	1,444,442
In greater than 12 months	858,521	745,207
	1,822,105	2,189,649

	Interest Rate 2015	2014	Tenure
(a) Export Credit Facility (ECF)- Unsecured	10% -13%	8% - 11%	120 days
(b) Small Business Discount Facility (SBDF) -Secured	10%-13%	10%-13%	Up to 48 months
(c) Insurance Policy Discount Facility (IPDF)- Secured by insurance policy	12%	12%	120 days
(d) Pre-shipment Facility (PSF)- Secured	10%-13%	10%-13%	90 – 120 days
(e) Jamaica Exporters' Association (JEA) ExBED-Unsecured. This is a joint project with the JEA and loans are available to small exporters.	12%	12%	90 – 180 days
(f) Jamaican Dollar Short-Term Loans- Secured	10%-13%	10%-13%	Up to 180 days
(g) Development Bank of Jamaica Limited Loan (DBJ#3)-Secured	Up to 10%	10%	Up to 60 months
(h) EXIM/IADB Facility	Facility closed	Facility closed	
(i) PetroCaribe US$20m Short Term	-	8.5%-11%	Short term up to 360 days

Insurance Policy Discount Facility (IPDF)
The facility represents amounts loaned for working capital financing and is available for small to medium-sized exporters who are the holders of a trade credit insurance policy from the Bank.

Development Bank of Jamaica Limited Loan (DBJ#3)
The facility represents funds on-lent from DBJ, to be used to provide pre-shipment export financing to small and medium-sized enterprises.

EXIM/IADB Facility
This facility represents US Dollar funds borrowed from the Inter-American Development Bank through the Development Bank of Jamaica, and is for working capital and trade financing. Amounts are loaned in both foreign and local currencies. The receivable of $39,278,000 (2014: $37,393,000) represents sums outstanding from customers that were provided with financing from the IADB pool. EXIM Bank, however, repaid the obligation to the IADB during 2012.

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12. Medium-Term Loans Receivable

	Principal $'000	Interest Receivable $'000	Provision for Credit Losses $'000	Carrying Value $'000	Carrying Value $'000
		2015			2014
(a) Modernisation Fund for Exporters	500,483	366	-	500,849	813,976
(b) General Trade Line	-	-	-	-	1,436
(c) National Insurance Fund SME (Note 21 (f))	3,500	14	-	3,514	-
(d) US Dollar Medium Term					-
Loans	573,012	1,299		574,311	354,438
(e) Other Medium Term Loans	15,661	-	-	15,661	12,808
	1,092,656	1,679	-	1,094,335	1,182,658

Maturing as follows:

	2015 $'000	2014 $'000
In less than 12 months	64,554	196,051
In greater than 12 months	1,029,781	986,607
	1,094,335	1,182,658

(a) The Modernisation Fund for exporters is a medium-term facility that was designed to meet the upgrading and retooling needs of businesses in the Export sector and linkage companies. Loans are secured and attract an interest rate of 10% to 13% per annum over a tenure of 60 months.

(b) This facility is used for financing working capital in the commercial sector which supports the productive industries. These loans bear interest at 10-13% per annum and are for periods of up to four years. The loans are fully secured.

(c) This represents loans to small and medium-sized enterprises (SME) from financing received from the National Insurance Fund and are secured by a deed of assignment of the underlying loans. These loans bear interest of 8% to 10% and are for periods of up to forty eight months.

(d) The United States Dollar Medium Term Loans are extended at a rate of 8.5%-11% (2014 -8.5% - 11%) and are for periods of up to sixty months. All loans are secured.

(e) Other Medium-Term Loans include loans to staff members which bear interest at 3% per annum, and a loan facility which bears interest at 0.5%. These loans are for a period of up to five years. Included in this amount is adjustment of $2,915,000 (2014 - $2,748,000) representing the difference between the total principal amount outstanding and the carrying amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings.

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13. Demand and Non-Accrual Loans

	2015 $'000	2014 $'000
Demand Loans (J$)	435,452	352,827
Demand loans-(US$)	658,047	482,045
Provision for credit losses	(116,748)	(97,066)
	976,751	737,806

14. Investments

	Number of shares held 2015	2014	2015 $'000	2014 $'000
Available-for-sale securities:				
Bladex:				
Class 'A' common stock	107,065	107,065	331,695	268,166
Class 'B' common stock	28,971	28,971	108,759	83,394
			440,454	351,560
Loans and receivables:				
Securities purchased under resale agreements			133,598	199,139
Government of Jamaica securities			10,744	10,744
			144,342	209,883
			584,796	561,443

	2015 $'000	2014 $'000
Remaining term to maturity:		
Within three months	62,121	156,594
From three months to one year	71,477	42,545
Over five years	10,744	10,744
	144,342	209,883

Included in investments is interest receivable amounting to $945,000 (2014 - $2,529,000).

The fair value of the underlying securities held as collateral for securities purchased under resale agreements at 31 March 2015 was $1,566,899,000 (2014 - $1,661,166,000).

15. Long-Term Loans Receivable

Long-term loans receivable represent staff loans which bear interest at 1% to 3% per annum and are for periods of up to twenty-five years. The amount due at 31 March 2015 includes $6,245,000 (2014 - $6,699,000) receivable within twelve months.

Included in this amount is an adjustment of $10,475,000 (2014 - $8,797,000), representing the difference between the amortised cost and the net present value, as required under IFRS.

16. Post-Employment Benefits

The Bank operates a non-contributory, defined benefit pension plan for permanent employees who are employed directly by the Bank. The assets of the plan are held independently of the Bank in a separate trustee administered fund. The Bank has recognised as an expense for the year in the statement of comprehensive income, $791,000 (2014 - $852,000), being its contributions to the plan in respect of that year.

The Board of Trustees of the pension fund is comprised of representatives from both the employer and members of the plan. The Board of Trustees of the pension fund is required by law to act in the interest of the fund and all relevant stakeholders. The Board of Trustees of the pension fund is responsible for the investment policy with regard to the assets of the fund. The funds are managed by Guardian Life Limited.

The Bank also provides post-employment medical and life insurance benefits to employees who satisfy the minimum service requirements. The plan is valued by independent actuaries, Duggan Consulting Limited, annually using the projected unit credit method.

	2015 $'000	2014 $'000
Assets/(liabilities) recognised in the statement of financial position –		
Post-employment benefit (obligation) asset	(18,366)	9,525
Post-employment benefit obligations	(115,434)	(108,509)
Amounts recognised in other comprehensive income		
Post-employment benefit asset	14,234	40,847
Post-employment medical benefit obligation	(7,131)	28,609
Tax effect	(1,776)	(17,364)
	5,327	52,092

(a) Post-employment benefit asset/(liability)

The amounts recognised in the statement of financial position are as follows:

	2015 $'000	2014 $'000
Present value of funded obligations	(467,789)	(405,296)
Fair value of plan assets	449,423	414,821
Asset recognised in statement of financial position	(18,366)	9,525

The movement in the defined benefit obligation was as follows:

	2015 $'000	2014 $'000
At beginning of year	405,296	358,615
Interest cost	39,173	36,612
Current service cost	14,055	14,177
Voluntary contributions	1,718	1,970
Benefits paid during year	(15,720)	(15,322)
Remeasurements:		
Losses from changes in financial assumptions	21,815	27,889
Changes in demographic assumptions	17,814	-
Experience adjustment	(16,362)	-
Experience gains	-	(18,645)
	23,267	9,244

16. Post-Employment Benefits (Continued)

(a) Post-employment benefit asset/(liability) (continued)

The movement in the fair value of the plan assets during the year was as follows:

	2015 $'000	2014 $'000
At beginning of year	414,821	417,772
Interest income on plan assets	38,780	41,152
Contributions paid	2,509	2,822
Benefits paid	(15,720)	(15,322)
Remeasurement of plan assets	9,033	(31,603)
At end of year	449,423	414,821

The amounts recognised in the statement of comprehensive income were:

	2015 $'000	2014 $'000
Current service cost	14,055	14,177
Interest cost	39,173	36,612
Interest income on plan assets	(38,780)	(41,152)
Total included in staff costs (Note 7)	14,448	9,637

The net cost is recognised in administration expenses in the statement of comprehensive income.

The Bank expects that it will contribute $4,146,000 to the plan in respect of the year ended 31 March 2016.

The distribution of the plan assets was as follows:

	2015		2014	
	$'000	%	$'000	%
Equities	160,826	36	155,896	38
Debt securities	130,128	29	139,457	34
Repurchase agreements	140,629	31	74,987	18
Other	17,840	4	44,481	10
	449,423	100	414,821	100

A one percent change in discount rate would have the following effects on total obligation:

	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation	404,049	548,462

(b) Other post-employment benefit obligations

The amounts recognised in the statement of financial position are as follows:

	2015 $'000	2014 $'000
Present value of obligation	115,434	108,509

16. Post-Employment Benefits (Continued)

(b) Other post-employment benefit obligations (continued)

The movement in the present value of obligations during the year was as follows:

	2015 $'000	2014 $'000
At beginning of year	108,509	70,996
Current service cost	3,786	2,551
Interest cost	10,634	7,307
Benefits paid	(720)	(954)
Past service cost	356	
Remeasurements:		
Changes in demographic assumptions	10,060	-
Losses from changes in financial assumptions	(131)	11,515
Experience (losses)/gains	(17,060)	17,094
	(7,131)	28,609
At end of year	115,434	108,509

The amounts recognised in the statement of comprehensive income were as follows:

	2015 $'000	2014 $'000
Current service costs	3,786	2,551
Interest cost	10,634	7,307
Past service cost	356	-
Total included in staff costs (Note 7)	14,776	9,858

Assumed health care cost trends have a significant effect on the amounts recognised in the statement of comprehensive income. A one percent point change in assumed health care cost trend rates would have the following effects:

	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation (medical benefits)	95,410	137,425
Present value of defined benefit obligation (life benefits)	1,519	1,786
	96,929	139,211

(c) Principal actuarial assumptions used in valuing post-employment benefits

The principal actuarial assumptions used in valuing post-employment benefits were as follows:

	2015 %	2014 %
Discount rate	9.50	9.50
Inflation rate	6.00	5.50
Medical rates	7.50	7.50
Future salary increases	7.00	6.50
Future pension increases	3.00	2.75

16. Post-Employment Benefits (Continued)

(c) Principal actuarial assumptions used in valuing post-employment benefits (continued)

The average life expectancy (in years) of a pensioner retiring at age 60 at the statement of financial position date is as follows:

	2015	2014
Male	26.1	22.6
Female	30.2	27.8

Mortality rate
Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Impact on defined benefit obligations		
	Change in Assumption	Increase in Assumption $'000	Decrease in Assumption $'000
Discount rate	1%	(63,738)	80,675
Future salary increases	1%	20,318	(17,992)
Expected pension increase	1%	58,375	(47,785)

	Impact on defined benefit obligations	
	Increase in Assumption by One Year $'000	Decrease in Assumption by One Year $'000
Life expectancy	6,340	(5,008)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The sensitivity of the post-employment medical and life benefits to changes in the principal assumptions is:

	Impact on other benefit obligations		
	Change in Assumption	Increase in Assumption $'000	Decrease in Assumption $'000
Discount rate	1%	(18,505)	23,777
Future salary increases(medical trend)	1%	23,634	(18,381)
Expected pension increase	1%	87	(77)

16. Post-employment Benefits (Continued)

Risks associated with pension plans and other employee benefit plans
Through its defined benefit pension plans and post-employment medical plans, the Bank is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the Bank intends to reduce the level of investment risk by investing more in assets that better match the liabilities. This process includes monitoring and rebalancing the asset classes and the maturity profile of assets within these classes. The Government bonds largely represent investments in Government of Jamaica securities.

However, the Bank believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Bank's long term strategy to manage the plans efficiently.

Changes in bond yields
A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk
Higher inflation will lead to higher liabilities in the event that discretionary pension increases are granted. The majority of the plan's assets are either unaffected by fixed interest securities or loosely correlated with inflation, meaning that an increase in inflation will reduce the surplus or create a deficit.

Life expectancy
The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The Board of Trustees is ultimately responsible for the establishment and oversight of the plan's risk management framework. The Trustees have established an Investment Committee for managing and monitoring the overall risk management process, as well as implementing policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Committee is responsible for the formulating and monitoring of investment portfolios and investment strategies for the plan. The Committee is also responsible for the approval and monitoring of appropriate trading limits, reports and compliance controls to ensure that the mandate is properly followed.

Up to 30 June 1990, members were required to contribute five percent (5%) of pensionable salary, defined as basic salary plus housing allowance. Members could elect to contribute a maximum of a further five percent (5%) of pensionable salary as additional voluntary contributions.

After 1 July 1990, the Fund was changed to become non-contributory, and the employer's contributions were increased from ten percent (10%) to nineteen percent (19%) of pensionable salaries. Members still may elect to make contributions to the Fund as additional voluntary contributions of up to 10% of the member's gross taxable remuneration.

After 1 January 1999, the funding policy was amended to allow contributions to the Fund by the Bank at a rate of 10% of pensionable salaries.

16. Post-employment Benefits (Continued)

Risks associated with pension plans and other employee benefit plans (continued)
In the most recent actuarial valuation carried out as at 31 December 2013, the actuaries recommended that the Bank continues to contribute at a rate of 1% of members' pensionable salaries until 31 December 2015 and 18.2% thereafter until the next triennial valuation.

The weighted average duration of the defined benefit obligation is 16 years for the Pension Fund and 18 years for post-employment medical and life benefits.

17. Property, Plant and Equipment

	Land, Buildings and Office Improvements $'000	Motor Vehicles $'000	Equipment Furniture and Fixtures $'000	Computers $'000	Total $'000
Cost -					
1 April 2013	102,471	7,565	14,838	29,369	154,243
Additions	62	3,006	886	172	4,126
Disposals	-	-	(9)	(82)	(91)
31 March 2014	102,533	10,571	15,715	29,459	158,278
Gain on property revaluation	74,393	-	-	-	74,393
Transfer to investment property	(176,926)	-	-	-	(176,926)
Additions	30,278	-	24,776	8,126	63,180
Disposals	-	-	(366)	(526)	(892)
31 March 2015	30,278	10,571	40,125	37,059	118,033
Depreciation -					
1 April 2013	14,171	5,541	7,390	26,388	53,490
Charge for the year	2,755	1,449	1,438	1,892	7,534
Disposals	-	-	(7)	(73)	(80)
31 March 2014	16,926	6,990	8,821	28,207	60,944
Charge for the year	3,424	1,097	1,966	1,923	8,410
Transfer to investment property	(16,926)	-	-	-	(16,926)
Disposals	-	-	(258)	(455)	(713)
31 March 2015	3,424	8,087	10,529	29,675	51,715
Net Book Value -					
31 March 2015	26,854	2,484	29,596	7,384	66,318
31 March 2014	85,607	3,581	6,894	1,252	97,334

During the year certain property that was occupied by the Bank was converted and transferred to investment property (Note 18).

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18. Investment Property

(a) These comprise:

Land and buildings at fair values:

	Total $'000
Transfer from property and equipment	160,000

(i) The property which was previously a part of property, plant and equipment was revalued and converted from own use to an investment property as at 1 December 2014. The net surplus of $55,795,000 on revaluation was transferred to a Property Revaluation Reserve through other comprehensive income. The fair value of the property amounting to $160 million has been arrived at on the basis of valuations carried out by external valuators, Oliver's Property Services. The property was valued on the basis of market value, which is defined by the Internal Valuation Standards 2011, 9th Edition. Site inspection and associated market analyses were undertaken and completed on the 6th June 2014. The property is commercial in nature, and was revalued using the market comparison approach which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject property.

(ii) Rental income in relation to investment properties amounted to $5,390,000 (representing 4 months December 2014 to March 2015) (2014- $Nil). Direct expenses incurred in relation to these properties totalled $1,112,000 (2014 - $Nil). The total lease income is $15.3 million per annum.

(iii) With regards to loan received, Note 21 (d), Petrocaribe Development Fund has a lien on property; stamped initially to cover US$1 million.

19. Short-Term Loans and Lines of Credit

	Rate of interest per annum	2015 $'000	2014 $'000
Bank of Nova Scotia Jamaica Limited – Cuban loc	5%	125,738	352,131

Included in short-term loans and lines of credit above is interest payable amounting to $2,502,000 (2014 - $2,689,000).

These unsecured amounts represent the drawn-down balances on lines of credit extended to the Bank for 180 days.

20. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method, using a tax rate of 25%. The movement in the deferred income tax (asset)/liability is as follows:

	2015 $'000	2014 $'000
At beginning of year	(8,209)	3,290
Recognised in the statement of comprehensive income (Note 8)	(20,778)	5,865
Recognised in the other comprehensive income (Note 8)	16,822	(17,364)
At end of year	(12,165)	(8,209)

Deferred income tax arises as follows:

	2015 $'000	2014 $'000
Deferred income tax assets –		
Accrued vacation	2,594	2,346
Insurance provision	776	776
Post-employment benefit asset/(liability)	4,592	-
Post-employment benefit obligation	28,859	27,127
	36,821	30,249
Deferred income tax liabilities –		
Foreign exchange gain	4,230	19,343
Accelerated tax depreciation	1,553	316
Post-employment benefit asset/(liability)	-	2,381
Investment property	18,873	-
	24,656	22,040
	12,165	8,209

The deferred tax (credit)/ charge in the statement of comprehensive income comprises the following temporary differences:

	2015 $'000	2014 $'000
Accrued vacation	(248)	59
Foreign exchange	(15,113)	10,532
Accelerated tax depreciation	1,237	(304)
Post-employment benefit asset/(liability)	(3,414)	(2,196)
Post-employment benefit obligation	(3,515)	(2,226)
Investment property	275	-
	(20,778)	5,865

The deferred tax charge in the other comprehensive income comprises the following temporary differences:

	2015 $'000	2014 $'000
Post-employment benefit asset/(liability)	(3,559)	(10,212)
Post-employment benefit obligation	1,783	(7,152)
Gain on property revaluation	18,598	-
	16,822	(17,364)

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21. Long-Term Loans

	2015 $'000	2014 $'000
(a) Government of Jamaica/EXIM	60,769	59,008
(b) PetroCaribe Development Fund	1,413,183	1,437,801
(c) PetroCaribe Development Fund	629,294	699,972
(d) PetroCaribe Development Fund	2,013,261	2,191,488
(e) Development Bank of Jamaica Limited (DBJ)	694,870	737,284
(f) National Insurance Fund	3,505	-
	4,814,882	5,125,553
Deferred commitment fees	(10,815)	(13,711)
	4,804,067	5,111,842

Included in long-term loans is interest payable amounting to $19,605,000 (2014 - $20,192,000).

The amount due at 31 March 2015 includes $467,228,000 (2014 - $627,349,000) payable within twelve months.

(a) This represents a Jamaican dollar loan received from the Government of Jamaica in February 2011. Amounts are payable over seven years, with a single bullet payment on or before 30 December 2017. The Government of Jamaica (GOJ), by a letter dated 24 January 2014 agreed to set off against a receivable the amount of $555,425,000 owed by a related party, leaving a balance of $58,689,000 which continues to accrue interest under the original terms of the loan.

(b) The Bank entered into a loan agreement with the PetroCaribe Development Fund to borrow US$12 million. It drew down the amount in three tranches between 8 August 2007 and 30 January 2008. The loan is unsecured, and bears initial interest at the rate of 5%; however, this was later reduced to 3%. The loan has a tenure of fifteen years, with a moratorium of one year on principal repayment. A further loan of US$6 million was entered into with the Fund and received during the year ended 31 March 2011, at a rate of 3%. This loan is due to be repaid by June 2022.

(c) The Bank entered into a loan agreement with the PetroCaribe Development Fund to borrow $1 billion. The loan has a rate of 6% and tenure of fifteen years, with a moratorium of one year on principal repayment. This loan is due to be repaid by December 2023.

(d) The Bank entered into a loan agreement with the PetroCaribe Development Fund to borrow US$20 million. The loan has a rate of interest of 3% and tenure of 10 years. The loan was fully drawn down as at the reporting date. The loan is secured by assignment over the portfolio of loans extended under this facility, and equitable mortgage over property located at Norwood Avenue, Kingston 5. This loan is due to be repaid by March 2022.

(e) The Bank entered into various loan agreements with the Development Bank of Jamaica (DBJ). The interest rates on these loans range from 4.25% to 6.50%. During the year ended 31 March 2015, loans to the value of $132,745,000 were drawn down. These loans have repayment dates ranging from December 2015 to March 2021.

(f) The Bank has entered into a loan agreement with the National Insurance Fund for on lending to SME's and is for working capital and fixed asset purchases for entities involved in value added activities i.e. light manufacturing, agriculture, agro-processing, energy, services and the creative industries. This facility represents a Jamaica dollar pool of approximately J$138 million. The loan ceiling is J$15 million and the facility expires on 30 April 2022. As at 31 March 2015 the bank had drawn J$3.5 million.

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22. Share Capital

	2015 $'000	2014 $'000
Authorised- 613,688 ordinary shares		
Issued and fully paid- 601,824 ordinary shares of no par value	601,824	601,824

23. Capital Reserve

	2015 $'000	2014 $'000
GOJ Budgetary Support	150,000	150,000
Apparel Sector Facility	45,842	45,842
JECIC Grant	148,574	148,574
Gain on Sale of Assets	8,042	8,042
	352,458	352,458

The GOJ budgetary support represents a non-reimbursable grant from the Government of Jamaica provided as budgetary support for the Bank.

The apparel sector facility represents a non-reimbursable grant from the Government of Jamaica, to be on-lent at an interest rate of 11% (2014 - 11%) per annum to the apparel sector under the Apparel Sector Financing Scheme.

The Jamaica Export Credit Insurance Corporation (JECIC) Grant represents the balance of investments being managed by National Export-Import Bank of Jamaica Limited for JECIC (in liquidation). The Bank of Jamaica approved the net investments balance as a grant to EXIM effective 1 April 2006.

24. Reserve Fund

15% of the profit after taxation each year is transferred to a reserve fund until the fund equals 50% of paid-up capital and, thereafter, 10% of the profit after taxation will be transferred until the amount in the fund is equal to the paid-up capital of the Bank.

25. Reserve for Trade Credit Insurance

This reserve represents amounts transferred from retained earnings to meet any future claims which may be incurred as a result of trade credit insurance contracts.

26. Investment Revaluation Reserve

This reserve comprises the fair value gains or losses on available-for-sale financial assets.

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27. Related Party Balances and Transactions

The statement of financial position includes balances, arising in the ordinary course of business, with the Government of Jamaica (GoJ), entities owned by the GoJ, key management personnel (directors and senior executives) and other related parties as follows:

	2015 $'000	2014 $'000
GOJ ,entities owned by the GOJ and affilities-		
Notes and other receivables	5,354	20,273
Notes discounted	116,653	709,580
Medium-term loans receivable	10,423	5,834
Investments	10,744	10,744
Long-term loans	(4,804,067)	(5,111,842)

Transactions with related parties were as follows:

	2015 $'000	2014 $'000
GOJ ,entities owned by the GOJ and affilities-		
Interest income	1,249	48,608
Interest expense	(211,867)	(223,813)

Transactions with directors and key management personnel (including executive director) were as follows:

	2015 $'000	2014 $'000
Salaries and wages	36,275	34,831
Directors' emoluments-		
Fees	684	927
Other remuneration	17,160	17,342

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28. Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. 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. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Bank. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present values or other estimation and valuation techniques based on market conditions existing at reporting date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) The fair value of unquoted equity securities classified as available-for-sale was determined by applying a marketability/liquidity discount to the quoted price of a class of shares within the same company that rank parri passu.

(ii) The fair values of liquid assets and other assets maturing within one year are assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.

(iii) The fair value of the Government securities was determined based on the present value of the future cash flows using an appropriate discount rate, based on market yields on other such securities with similar maturity dates.

(iv) The fair value of loans payable which were obtained at concessionary rates (Note 21) has not been estimated as these loans are available to the Bank due to its special circumstances. Adequate market information is not available to determine the fair value of such loans.

(v) The fair value of investment property is determined using the market comparison approach which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject property.

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28. Fair Values (Continued)

The following tables provide an analysis of financial instruments held as at 31 March that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Quoted investments	-	-	440,454	440,454
Government of Jamaica	-	10,744	-	10,744
Investment property	-	-	160,000	160,000
	-	10,744	600,454	611,198

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Quoted investments	-	-	351,560	351,560
Government of Jamaica	-	10,744	-	10,744
	-	10,744	351,560	362,304

The Bank held no instruments classified as Level 1 during the year, and there were no transfers between levels during the year.

The movement in securities classified as Level 3 during the year was as follows:

	2015	**2014**
	$'000	**$'000**
At start of year	351,560	331,206
Transfer from property and equipment (Note 17, 18)	160,000	-
Foreign exchange gains recognized in arriving at net profit or loss	21,136	34,136
Fair value gains/(losses) recognized in other comprehensive income	67,758	(13,782)
At end of year	600,454	351,560

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29. Commitments

(a) Loan commitments under the various loan programmes totaled $754,393,000 at 31 March 2015 (2014 - $776,978,000).

(b) Lease arrangements

Operating lease commitments - Bank as lessee
At 1 July 2014, the Bank entered into commercial lease for extended periods. The leases have an average life of ten years with the option to renew for a further five (5) years. There are no restrictions placed upon the lessee by entering into the leases.

Future minimum lease payments under non-cancellable operating leases as at 31 March are, as follows:

	2015 $'000
Within one year	20,151
After one year but not more than five years	80,604
More than five years	87,321
	188,076

Operating lease commitments - Bank as lessor
At 1 November 2014, the Bank became a lessor of commercial lease for extended periods. The leases have an average life of three years with the option to renew for a further three years. There are no restrictions placed upon the lessee by entering into the leases.

Future minimum lease payments under non-cancellable operating leases as at 31 March are, as follows:

	2015 $'000
Within one year	15,400
After one year	749
	16,149

During the year ended March 31, 2015 $5,390,000 of lease payments was charged to net income.

30. Subsequent Events

On 15 May 2015, the Bank received the 1st tranche of capital injection of $300 million from the Government of Jamaica. The remaining $765 million is to be received before the end of the financial year ending 31 March 2016.

Corporate Data

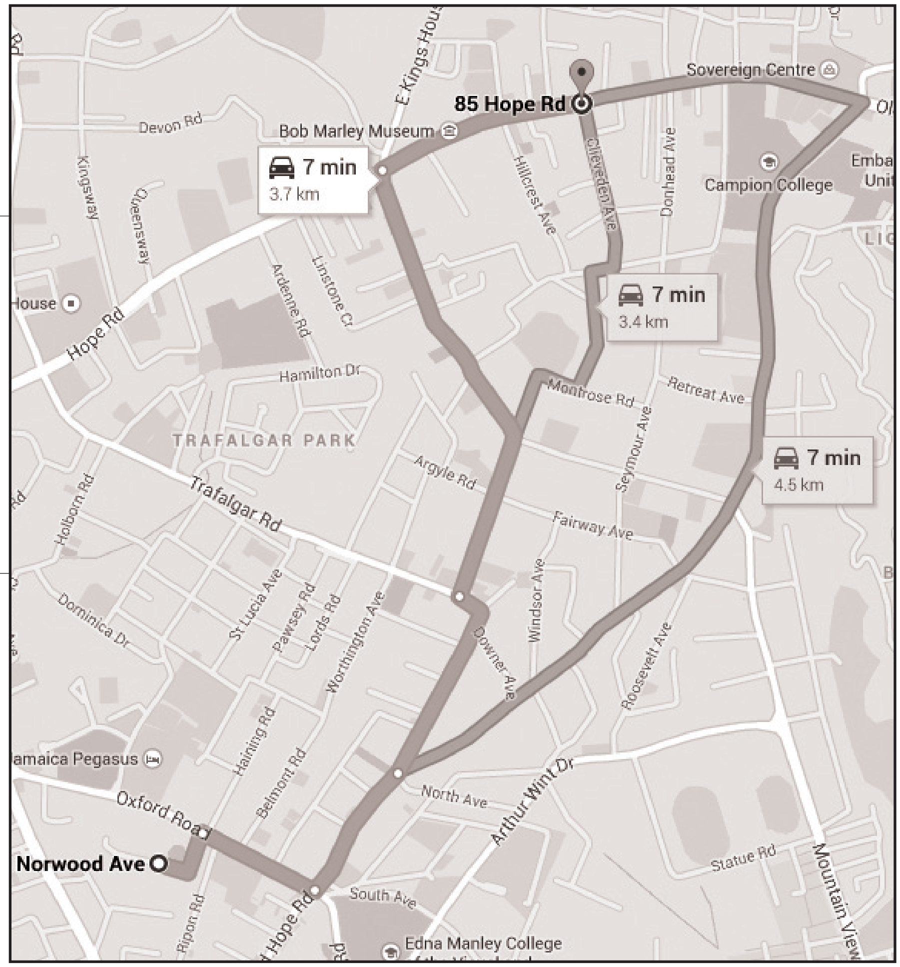
Primary Banker

Bank of Jamaica
Nethersole Place
P.O. Box 621,
Kingston
Jamaica, West Indies

Auditors

Ernst & Young Chartered Accountants

8 Olivier Road,
Kingston
Jamaica, West Indies



Offices

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