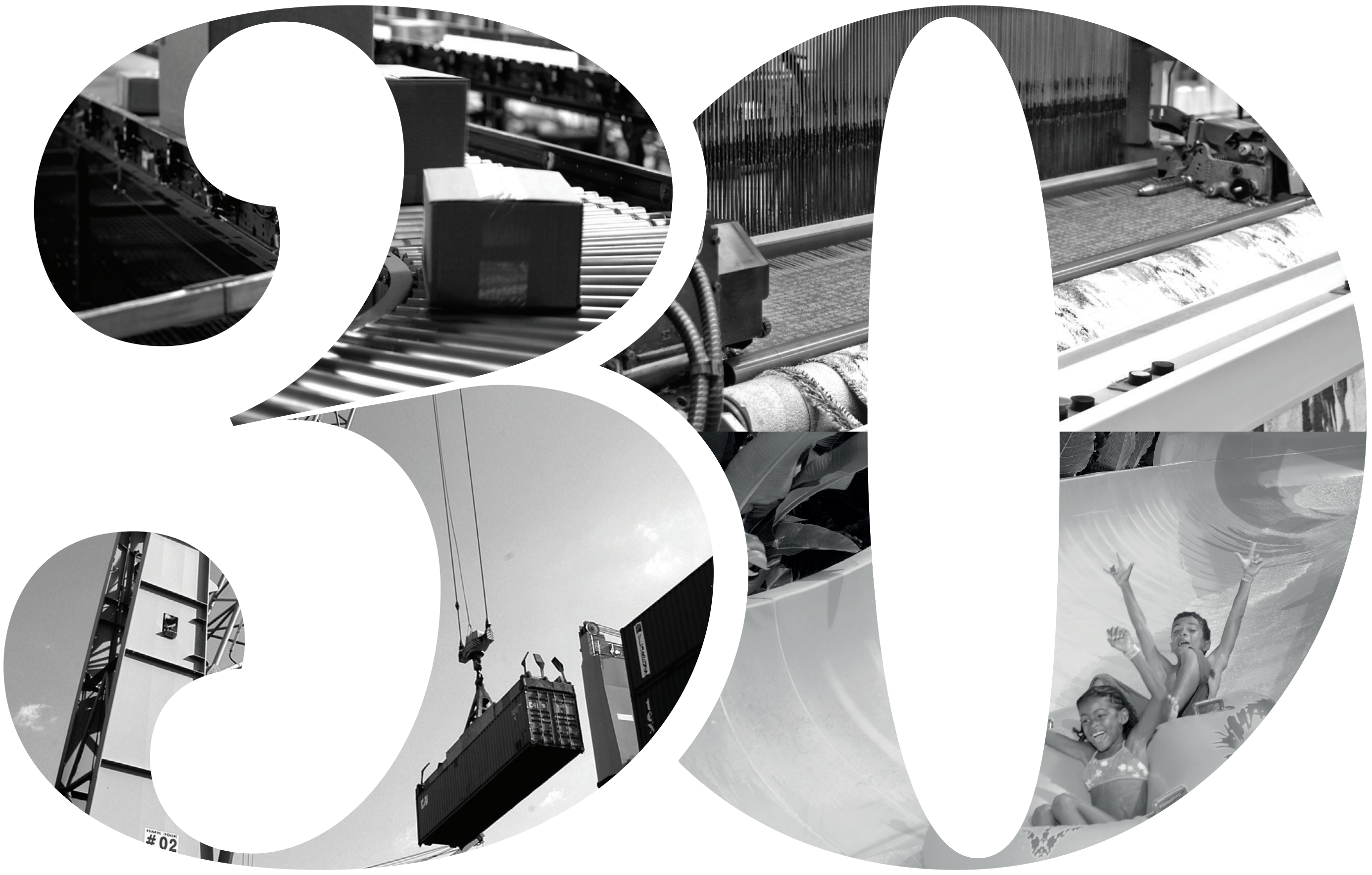


YEARS

2017 ANNUAL REPORT

EXIM BANK JAMAICA

Expect to Succeed

Hendrickson receiving the “Governor General” Award

JEA’s “Fantastic 50”
Awards Banquet 2016

EXIM Bank’s 30th Anniversary Celebration

JCC “Entrepreneur 2016” -
EXIM client, Patria-Kaye Aarons

Launch & Signing Ceremony of SMTE
Loan Program - Tourism Enhancement
Fund and EXIM Bank

JCC Awards 2016 - Stephen Steele
iPrint Digital “Best in Chamber” -
Small Enterprise Award

Celebrating Success






Building Jamaica's Industries

CONTENTS

CORPORATE PROFILE

The National Export-Import Bank of Jamaica Limited (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 SMEs 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 Jamaica and United States 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 and 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.

V Vision

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

M Mission

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.

CORE VALUES

Integrity

We maintain strict adherence to a moral code of honesty and a strong sense of morality.

Customer-Centricity

We understand the value of our brand and consistently deliver it to our customers by focusing on what they value most, in keeping with our overall business strategy.

Professionalism

We conform with generally accepted formal standards portrayed by our mannerisms, deportment, business conduct and individual dealings with each other, our business partners and our customers.

Respect

We treat each other with kind consideration and politeness irrespective of position or economic status, being mindful at all times of the other person's feelings.

Innovation

We are keen on translating an idea or business opportunity into a product or service that creates value for our stakeholders.

EXIM BANK...

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

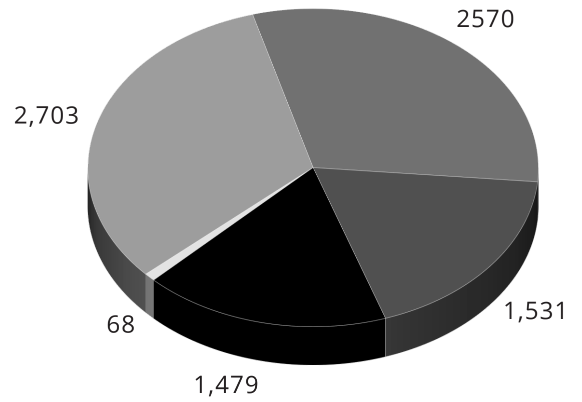
5 YEAR FINANCIAL HIGHLIGHTS

	2013*	2014	2015	2016	2017
FINANCIAL POSITION (J$ MILLIONS)					
Total Assets	8,437.35	8,160.19	7,628.09	8,162.76	8,778.17
Cash and Cash Equivalents	1,841.26	1,836.71	1,855.30	1,598.16	2,432.26
Notes Discounted	2,658.63	2,189.65	898.13	1,799.84	1,980.60
Investments	479.27	561.44	584.80	506.44	585.90
Shareholder's Equity	2,363.30	2,375.46	2,482.24	3,521.43	4,220.47
EARNINGS (J$ MILLIONS)					
Total Revenue	651.32	727.66	588.96	682.53	704.06
Operating Profit	384.80	420.50	337.90	448.82	469.80
Profit/(Loss) Before Tax	73.60	103.27	(25.74)	23.22	64.42
Profit/(Loss) After Tax	56.70	78.03	(11.45)	27.68	80.98
FINANCIAL RATIOS					
Return on Assets	0.70%	1.00%	-0.15%	0.34%	0.92%
Return on Equity	2.40%	3.30%	-0.46%	0.79%	1.92%
Admin. Expense Ratio	47.80%	43.60%	61.74%	62.36%	57.58%
Operating Profit Margin	59.10%	57.79%	57.37%	65.76%	66.73%

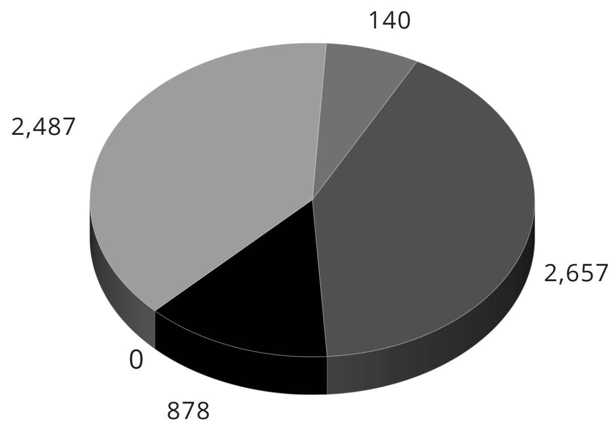
* Restated

LOANS DISBURSED BY SECTOR
(J$ MILLIONS)

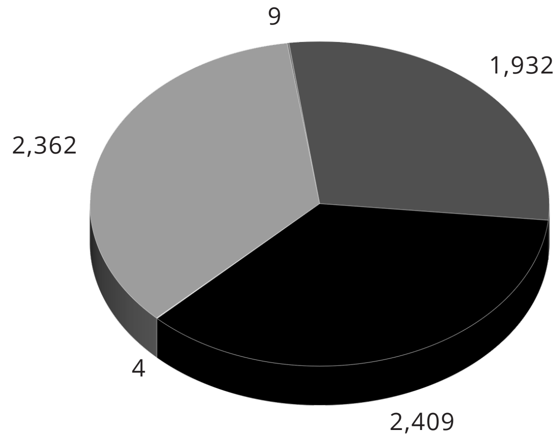
2012 / 2013



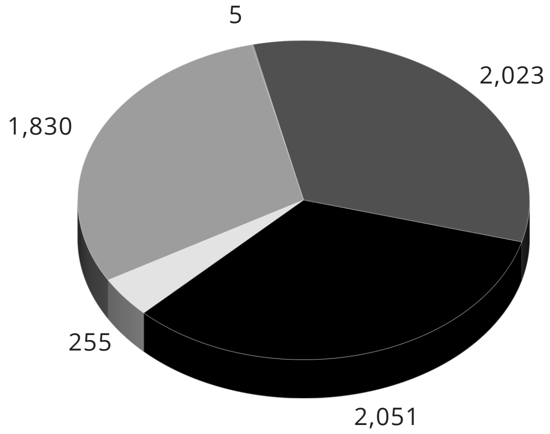
2013 / 2014



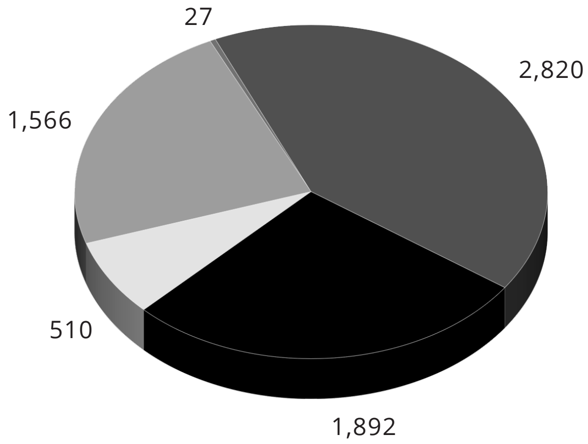
2014 / 2015



2015 / 2016



2016 / 2017



LEGEND

- MINING
- MANUFACTURING
- FOOD & BEVERAGE
- AGRO PROCESSING
- DISTRIBUTION SERVICES

CHAIRMAN'S STATEMENT

The efforts of the Government of Jamaica in creating a more stable and progressive macroeconomic environment are beginning to yield fruit as key indicators including inflation, foreign exchange reserves, and interest rates are all trending in the right direction and augur well for higher levels of economic growth.

The role of the private sector in effecting this growth, is of paramount importance and among the desirable outcomes, is the improvement in the ability of the private sector to access appropriate modes of financing. To that extent, the introduction of critical features within the financial landscape including more flexible use of pension funds, the establishment of credit bureaus, an expansion of existing credit guarantee programmes and efforts to establish a sustainable venture capital ecosystem, are to be lauded. These all will actively improve the country's unfavourable credit to GDP ratio which still hovers around 29% which continues to be the lowest in the region.

Historically, development financial institutions like the National Export-Import Bank of Jamaica Limited (EXIM Bank),have played an important role in addressing market gaps and in strategically broadening access to finance to the private sector and in particular, the critical SME market. The hallmark of EXIMs success over the last thirty years has been its ability to effectively serve this market through the provision of affordable and appropriately structured financial solutions that allow the sector to fulfill its potential in increasing export earnings, creating additional employment and creating increased levels of social stability. The 2016/17 financial year was no different, as the organization continued to record significant levels of loan utilization and profit and supported increased growth in exports, while remaining a viable, compliant and customer-centric organization.

The Bank will continue to provide the necessary support to meet the financial needs of the SME sector, which is considered to be the engine of growth in our economy, with ongoing focus on exporters, potential exporters and those entities falling within the export value chain. We will also continue to form strategic partnerships with entities both in the private and public sectors which are working towards similar goals and objectives.

We are very conscious of the need for even higher levels of impact and in the context of fragile economic improvements, and the potential impact of global changes, the Board and Management are seized with the "Urgency of Now" and will continue to lobby for increasing levels of funding support from the Government.

EXIM Bank's work in servicing the private sector is well documented and the Board, Management and Staff remain committed to ensuring that the Bank plays its role in assisting the country to achieve its growth objectives.

BOARD OF DIRECTORS

GARY HENDRICKSON CD, JP
CHAIRMAN

Gary "Butch" Hendrickson is the Chairman and CEO of Continental Baking Co. Ltd. and Coconut Bay Beach Resort & Spa in St Lucia and was educated at Jamaica College, Miami Military Academy and Fordham University.

Mr Hendrickson also sits on the Boards of Rainforest Seafoods, The King's House Foundation, Red Stripe, The Private Sector Organisation of Jamaica and The Bank of Jamaica.

The Order of Distinction in the Rank of Commander was conferred on him in October of 2014. Mr Hendrickson has also received the following awards: • The Gleaner Honour Award for Business in 2002 and for Voluntary Service in 2015 • The Carlton Alexander Award for Excellence in 2014 and • The AMCHAM Award for Civic Leadership – Individual – 2013 • PSOJ Hall of fame Inductee for 2016.

LISA BELL
MANAGING DIRECTOR

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 the EXIM Bank, Mrs. Bell held the position of Deputy President of Jamaica Promotions Corporation (JAMPRO). She holds a Master of Business Administration with a specialisation in Finance and a Bachelors of Business Administration from the University of Miami, Florida, USA.

ALBERT WEBB

Albert Webb, a Banker, spent some 33 years with CIBC in various positions in Canada, Bahamas and Jamaica - with the last being Group Managing Director of CIBC/FCIB Jamaica – before retiring to focus on his private investing activities. Over the years he has also served on the Boards of a number of entities in both the private and the public sector as Director or Chairman. He holds a Bachelor of Science degree from the University of the West Indies, an Executive Development/Advanced Management Diploma from Dalhousie University and is a Fellow of the Institute of Canadian Bankers.

BOARD OF DIRECTORS

BEVAN CALLAM, JP

Bevan Callam is a career Banker, who spent many years with one of Jamaica's leading commercial banks. He worked in several areas of the bank, including Operations, Finance, Branch Banking, Corporate and Commercial Banking and Credit Risk Management.

He serves on a number of Boards and Committees and is a Justice of the Peace.

NORMAN REID, JP

Norman Reid is a retired Banker with over 40 years' experience in the Financial Services Sector. He served in capacity as Senior Assistant General Manager at his last posting and his areas of expertise span, credit analysis, underwriting, sales, internal audit, change management, operations and training. Norman holds a Bachelor of Science in Banking and Finance, The ACIB and is a Fellow of the London Institute of Banking and Finance. He is a Justice of the Peace for the parish of St. James.

GEOFFREY ZIADIE

Geoffrey Ziadie is the Founder and CEO of Chad-Ad Distributors Limited. He is a graduate of the University of Florida, where he obtained a Bachelor of Science in Business Administration and Finance. With over 25 years of experience in business, he now currently serves as a Director of Newport Forklift Services Limited and Kingston Industrial Garage Limited.

CORPORATE GOVERNANCE

Strong governance ensures that EXIM Bank carries out its mandate responsibly and effectively while 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 2017. 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 Company'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 Company, its stakeholders and clients.

The Board meets bi-monthly 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 board 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: Mr. Bevan Callam (Chairman), Mr. Gary Hendrickson, Mr. Norman Reid, Mr. Albert Webb and Mr. Geoffrey Ziadie (appointed September 26,2016) The Committee met 10 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: Mr. Norman Reid (Chairman), Mr. Albert Webb and Mr. Geoffrey Ziadie. The Committee met twice 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: Mr. Geoffrey Ziadie (Chairman), Mr. Gary Hendrickson and Mr. Albert Webb. This Committee did not have reason to meet during the year.

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

ATTENDANCE RECORDS FOR DIRECTORS AT AGM, EGM, BOARD, ERMC, ACRC MEETINGS

APRIL 2016–MARCH 2017

NUMBER OF MEETINGS	AGM 1	EGM 1	BOARD 8	ERMC 10	ACRC 2	NO. REQUIRED	NO. ATTENDED
GARY HENDRICKSON CHARIMAN OF THE BOARD	1	1	7	9	■	20	18
LISA BELL MANAGING DIRECTOR	0	0	7	9**	2**	22	18
BEVAN CALLAM	1	1	7	10	■	20	19
NORMAN REID	1	1	7	9	2	22	20
ALBERT WEBB	1	1	7	9	2	22	20
GEOFFERY ZIADIE	1	1	7	5***	2	17	16

■ NOT APPLICABLE
** NON MEMBER
*** APPOINTED TO ERMC ON SEPTEMBER 26, 2016

MANAGING DIRECTOR'S REPORT

The financial year 2016/2017, marked EXIM Bank's thirtieth year of operation with continued focus on supporting the growth and development of the productive sectors of the economy with particular emphasis on Small and Medium-sized Enterprises (SMEs). The year was characterized by an improved macro-economic environment, inflation falling to record lows, decreasing balance of payments, the resurgence of the stock market and reduction in interest rates. Against this background, the Bank experienced strong competition from the traditional financial institutions with increased offerings to the SME market. Although a positive development, this saw the Bank being impaired in its ability to meet rising demand because of uncompetitive rates of interest.

Charged however with its role in facilitating growth within the SME sector and engaging new and emerging sectors with flexible financing solutions, the Bank achieved loan utilization of $6.81 billion at year end 31 March 2017, exceeding its target by 4.77% and achieving 11.06% above the prior year's loan utilization. Of the total loans disbursed, $6.32 billion, or 92.80% represented loans to the SME sector.

Total revenue for the financial year 2016/2017 was recorded at J$704.06 million, an increase of 3.15% over the previous year with profit after tax reported at $80.98 million, a significant increase over the $27.68 million achieved at previous year-end March 2016. Our Bad Debt Provision ratio again reflected an enviable performance ending the financial year at 2.09% on account of continued prudent and effective credit management and due diligence. Shareholder's Equity closed the year at J$4.22 billion, 19.85% higher than the previous year, with total capital injections of J$400 million for the year 2016/2017.

The Bank's pivotal role as a major contributor to the expansion and growth of the productive and services sectors was further highlighted in its reporting alignment with the Ministry of Economic Growth and Job Creation (MEGJC). With the tourism sector being a key pillar of the Jamaican economy, the Bank partnered with the Tourism Enhancement Fund (TEF) to introduce a special loan programme for Small and Medium-sized Tourism Enterprises (SMTEs) . The first tranche of $350 million was funded in the third quarter of 2016/2017. The programme is designed to benefit qualified entities within the tourism sector, the tourism linkages networks. These include small

accommodations, attractions, domestic tours, car and bike rentals, gastronomy, sports and entertainment, shopping, spa and wellness and manufacturers and suppliers of goods and services to the tourism sector. Loans were made available to upgrade and/or increase capacity, and provide working capital for sustainability. Expressions of interest for this special loan programme have exceeded J$1.2

billion with loan approvals of J$383.9 million for 21 business entities at year-end March 2017. The second tranche of $300 million is projected for disbursement in the first quarter of financial year 2017/18.

STRATEGIC INITIATIVES

The Bank participated in the Economic Opportunities Workshop sponsored by the Jamaica Intellectual Property Office (JIPO) in collaboration with the Ministry of Culture, Gender, Entertainment and Sports (MCGES) and the Jamaica Conservation and Development Trust (JCDT). The workshop centered on expanding the tourism and business products of artisans connected with the Blue and John Crow Mountains World Heritage Site with guidelines on how to protect and secure their intellectual property. The Bank has always been an avid supporter of the Creative Industries and more so a promoter of the monetization of Intellectual Property which would greatly facilitate this group in their bid to access financing.

Also cognizant of the importance of protecting the environment, the Bank participated in a value chain assessment report and analysis workshop, a project of JA REEACH – Jamaica Rural Economy and Ecosystems Adapting to Climate Change – a USAID funded project which promoted the protection of rural livelihood and ecosystems which are prone to experiencing extended droughts, temperature increases and more frequent natural disasters.

In order to keep abreast of the business environment and the market economy, the Bank participated in the Jamaica Chamber of Commerce (JCC)'s quarterly business and consumer indices survey. This series helped to guide the Bank in its continued drive to support SMEs and prepare them for growth, export-readiness and global competitiveness.

The Bank also participated in the review of the Fourth World Trade Organization (WTO)'s Trade Policy Review of Jamaica, specifically as it pertained to measures directly affecting imports, exports, production and trade. This was of particular relevance to export financing, the cross cutting area of focus with which the Bank is aligned under the National Export Strategy (NES) Phase II.

Other fora attended included CAPRI's Town Hall meeting on Opportunities and Risks for Growth at which the IMF Chief of Missions reviewed the Economic Reform Programme and the new focus for the program. Significant insight was gained with respect to the socio and economic environment in which SMEs and small entrepreneurs operate.

INTERNATIONAL ARENA

Since its inception, the Bank has maintained a strong relationship with international lending agencies to enable it to source low-cost funds for on-lending to its client base. BLADEX (Banco Latino Americano de Exportaciones) is one such organization. As a shareholder of BLADEX, the Bank has benefitted from a long-standing Line of Credit arrangement which facilitates the importation of raw material, equipment and spares at attractively priced rates of interest for our clients.

The Berne Union, an Association of the International Credit and Investment Insurers, is another institution with which the Bank is affiliated and is able to keep abreast of new methodologies and best practices in the International Trade Credit Insurance market. The Bank is also affiliated with the Latin American Association of Credit Insurance Organizations (ALASECE), a non-profit

"Of the total loans disbursed, $6.31 billion, or 92.65% represented loans to the SME sector"

private entity whose members offer trade credit insurance in Latin America and the Caribbean. The information gleaned from both of these organizations guides the Bank's unique product, Trade Credit Insurance (TCI) which provides policyholders with protection against the risk of non-payment by its buyers.

ON THE ROAD TO SUCCESS...

The EXIM Bank has successfully concluded the first year of its 3-year strategic plan (2016-2019) recording profitable operations. We are proud of the Bank's contribution in supporting the growth and sustainability of the productive and service sectors of the economy particularly SMEs. A trade financing partner for its customers over its 30 years of existence, the Bank is deeply resolved to continue to provide customized financing solutions for its clients and to play an integral role in the growth and development of the productive and service sectors of the Jamaican economy.

For the upcoming financial year 2017/2018, the Bank's strategic mandate will be to expand its role as a capacity builder for the SME sector, focusing on closer working relationships with its members through targeted training programmes. There will be continued focus on facilitating improved export performance from new and existing customers while growing loan utilization and effecting trade financing solutions tailored to customers' needs and enhanced customer service delivery. It is recognized that access to finance is the mainstay of sustainability and development for the SME sector, and the EXIM Bank proposes to continue its initiatives to procure funding for on-lending to the sector at competitively priced rates of interest.

Through an effective and targeted marketing campaign, the Bank proposes to enhance its visibility in the marketplace and promote increased interaction with its clients and other stakeholders. The Bank's Business Advisory Services Unit will be promoting increased business development and educational workshops and seminar in partnership with members of the business and financial communities to enhance the knowledge base of its target market.

In order to offer state-of-the-art services and solutions, and to enhance efficiency in loan processing and operations, the Bank will continue to develop a technology driven environment. This remains an integral part of its Information Technology (IT) governance strategy to facilitate the alignment of technology with strategic organisational goals.

I am very grateful to the staff of the Bank who have individually and collectively contributed to its continued viability. Their continued commitment and dedication while maintaining high levels of professionalism in the face of economic constraints, have served the institution well over the years. The Management team has also been very supportive and dedicated to ensuring that high standards are maintained, and to them I am very appreciative. Without our clients there would be no EXIM Bank and so we say 'thank you' for your significant contribution to the sustainability of the Bank and for believing in us and "wanting us to be in your business". I am also thankful to the Bank's Board of Directors for the support and guidance given over this past year, and for challenging us to rise even further, as we continue to journey on the road to success.

> **"...profit after tax reported at $80.98 million, a significant increase over the $27.68 million achieved at previous year-end March 2016."**

SENIOR MANAGEMENT

LISA BELL
MANAGING DIRECTOR

GETA WRIGHT-JARRETT
FINANCE & INFORMATION TECHNOLOGY

CARL REID
INTERNAL AUDIT

VALERIE CRAWFORD
TRADE & COMMERCIAL LENDING

MARIA BURKE
LEGAL COUNSEL & CORPORATE SECRETARY

STEPHANIE MURDOCK
HUMAN RESOURCE & ADMINISTRATION

ODEAN WHITE
RISK MANAGEMENT

CHIEF OFFICERS

AUDREY MORRIS
OPERATIONS & INSURANCE

SHARON POWELL
STRATEGIC PLANNING & RESEARCH

NICOLE CRUM-EWING
MARKETING

HAMLIN PAGON
INFORMATION SYSYTEMS

MELROSE MASON
FINANCE

VENITIA HAWTHORNE
ACCOUNTS

ALLAN THOMAS
LOAN ORIGINATION

CHARLES LEWIS
LOAN ADMINISTRATION

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MDA) provides a retrospective look at the Bank's performance during the 2016/2017 financial year and gives key stakeholders and other interested parties the opportunity to assess the Bank's operational results for the financial year. It also allows management to review its performance and to identify areas requiring enhancement and corrective actions towards the broader objective of ensuring that the organization remains relevant and responsive to the needs of its customers and meets its mandate of supporting the Government's growth agenda and ultimately, national development.

OUR BANK

The EXIM Bank marked 30 years of outstanding service to the country's non-traditional exporters and small and medium sized business entities (SMEs) in the productive and service sectors of the economy in the financial year 2016/2017. Over the thirty year period, the Bank developed a wide range of customized financing products and services designed to assist customers to purchase capital and intermediary goods, raw materials, technological solutions, and to provide working capital support to grow their businesses, expand their global markets and maintain viability. As an added value to customers, the Bank continued to provide Trade Credit Insurance which protects our clients/ policyholders against the risk of non-payment by buyers, locally and overseas. We remain the only institution in the country which offers this service, of which we are justly proud. An added feature of the Trade Credit Insurance product is that policyholders with approved buyers with a proven track record, may obtain receivables financing under the Bank's Insurance Policy Discounting Facility (IPDF).

The Bank continued to make a significant contribution to the development of the export sector with special emphasis on SMEs with the potential to export. Recognizing the tourism sector as a major player in the export sector, the Bank partnered with the Tourism Enhancement Fund to introduce a special loan programme for SMEs in the tourism value chain. As a representative on the Tourism Linkage Council, the Bank is engaged in the development of initiatives to drive the growth of the tourism sector and its linkage companies. The Bank also continued its strong partnership with the Jamaica Exporters' Association (JEA), the Jamaica Manufacturer's Association (JMA), the Jamaica Hotel and Tourist Association (JHTA), delivering financial solutions to their membership which are involved in the key growth sectors of the economy such as Tourism, Manufacturing, Agro-processing, Mining, Services,and Information Communication and Technology.

STRATEGY MANAGEMENT

The Bank's corporate strategic framework is embodied in its 3 year Strategic Plan which establishes its corporate roadmap with the attendant strategic initiatives. The Plan also provides guidance, objectivity and accountability to ensure that the organization keeps focused on its key objectives and that strategies are reviewed and updated on a regular basis to ensure operational efficiencies and viable operations.

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 key areas of impact including financial, customers, employees and internal processes. It also assists the Bank in fulfilling its overarching strategy creating sustained value to stakeholders, by monitoring organizational goals and objectives and ensuring that strategic initiatives are aligned with corporate strategies. This is done in accordance with the organization's Vision, Mission and Core values.

OUR FINANCIAL PERFORMANCE

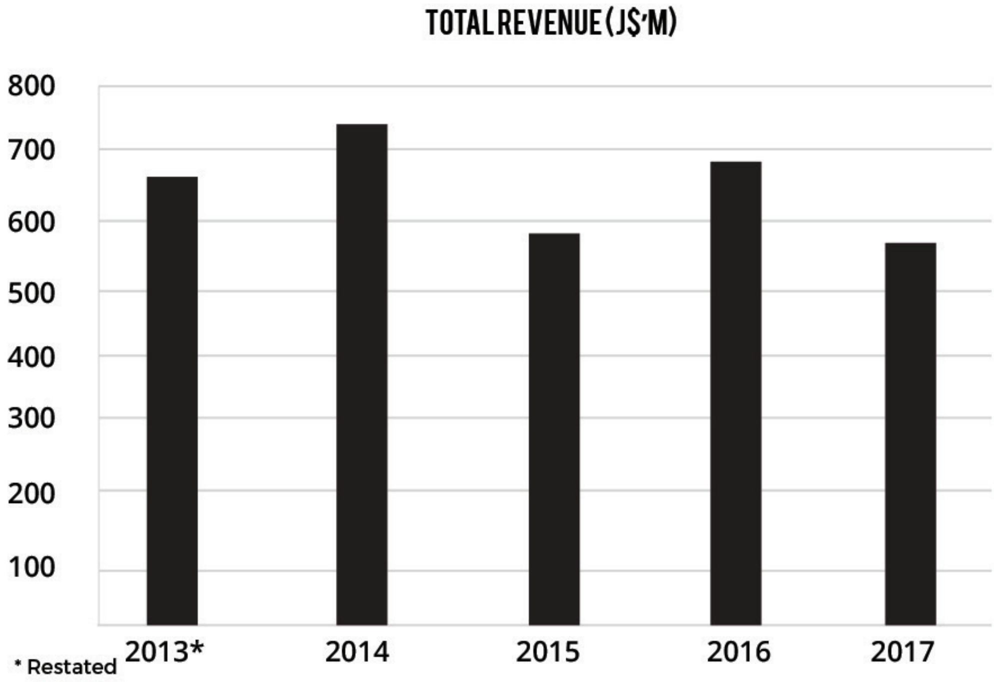
The Bank recorded another year of commendable results for the financial year ended 31 March 2017. The Bank achieved loan utilization of approximately J$6.81 billion was achieved, J$650.0 million or 10.55% above the J$6.16 billion recorded at year-end March 2016. Continued focus was placed on loans to the SME sector, which accounted for J$6.32 billion or 92.80% of the Bank's total loan utilization for the financial year.

INCOME

Total revenue recorded for the 2016/2017 financial year was J$704.06 million, an increase of J$21.53 or 3.15% over the J$682.53 million, achieved at 31 March 2016 and reflects on improvement in earnings from the Bank's core activities.

Other income, which included dividends from shares held in Banco Latinamericano de Exportaciones (Bladex) and foreign exchange gains which amounted to J$26.55 million and J$35.67 million respectively, resulted in an increase in operating profit which ended the year at J$469.80 million compared to the figure of J$448.82 million at year end March 2016, an increase of 4.67%.

Profit after tax for the year ended March 2017, was reported at $80.98 million, 192.56% over the $27.68 million achieved at year end March 2016, due in part to a reduction in administrative expenses which ended the year at $405.4 million down from $425.6 million expended the previous year.



BAD DEBT PROVISION

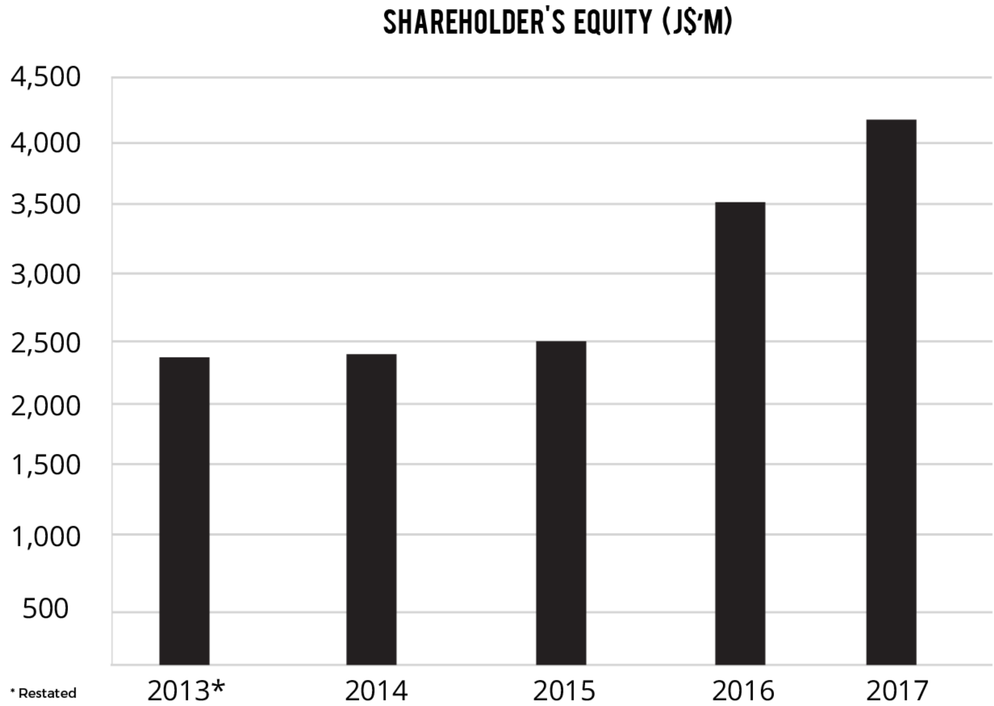
The Bank continued to maintain tight control over its credit assessment, risk management and loan monitoring processes and took the necessary pro-active steps to ensure the quality of its loan book and that its bad debt provisions were in keeping with Industry standards. At 31 March 2017, the Bank's bad debt provision ratio as a percentage of the total loan portfolio was recorded at 2.09%, well within its performance target of 5%.

TOTAL ASSETS

At year-end 31 March 2017, the Bank recorded assets of J$8.78 billion, a 7.54% improvement over the J$8.16 billion recorded at March 2016, with Cash and Deposits registering strong growth ending the year at $2.43 billion up from the $1.6 billion recorded at 31 March 2016.

SHAREHOLDER'S EQUITY

The Bank reported significant improvement in shareholder's equity, which grew from $3.52 billion at March 2016 to $4.22 billion, for the year ended 31 March 2017, an increase of 19.85%. This was due to capital injection by the Government of Jamaica, retention of profit earned over previous years, as well as gains made from the revaluation of investment assets during the review period.



LENDING OPERATIONS

In spite of the challenging business environment and increased competition from other lenders with emphasis on providing loans to the small business sector, the Bank continued to lead the industry as the main institution providing loans to small and medium sized enterprises (SME's). For the 2016/17 financial year the Bank achieved loan utilization of J$6.81 billion, a 10.55% increase over the previous year. More importantly, loans to SME's grew from just under J$5.0 billion in the previous year, to J$6.32 billion at year end 2016/2017, reflecting the Bank's strategic shift towards targeted support for the SME sector.

Of total loans disbursed, just over J$3.0 billion were disbursed under various local currency facilities, mainly for equipment purchase and working capital purposes, while just under US$30.0 million was disbursed in foreign currency loans. The main beneficiaries of the foreign currency loans were companies engaged in the export of seafood (conch, lobster) to France and the francophone territories in the Caribbean, and Jamaica's world renowned Blue Mountain Coffee, which continues to hold its position as a premium export product.

In September 2016, the Bank signed an agreement with the Tourism Enhancement Fund (TEF) for a loan of J$1.0 billion for on-lending at a competitively priced interest rate of 5% per annum, to be on-lent to companies spanning small accommodations, attractions, water sports, domestic tours, bikes/car rentals and networks such as gastronomy, spa and wellness, shopping, sports and entertainment and knowledge in the Tourism sector. The first tranche of J$300 million was received in the financial year, and as at year-end 31 March 2017 the Bank had approved loans

"The Bank achieved loan utilization of J$6.81 billion, a 10.55% increase over the previous year."

of J$383 million with J$131 million disbursed. The Bank is confident that this loan programme will achieve significantly increased take-up in the ensuing year, 2017/2018, based on pending applications and increased enquiries from business entities engaged in the Tourism sector.

Trade Credit Insurance (TCI), a product which provides policyholders with protection against the risk of non-payment by buyers and offers coverage at competitive premium rates, continued to be of importance to the Bank and policyholders alike. Under TCI, policyholders can recover up to 85% (commercial risk) and 90% (political risk) of losses occasioned by non-payment by approved buyers, with the policyholders assuming the remaining 15% and 10% of losses respectively. Total premium income reported at year-end, was J$11.92 million, up from the J$9.30 million recorded last year. The growth in premium income was consistent with efforts to grow the insurance portfolio and resulted in increased loans under the Insurance Policy Discounting Facility (IPDF).

CUBAN LINE OF CREDIT

The Bank continued to support the Line of Credit made available to Banco Nacional de Cuba, since 1997, disbursing over CDN$60.0 million over the period to 31 March 2017, to qualified exporters. The Line of Credit has facilitated the export of agricultural and industrial chemicals, fertilizers, paint and varnishes, hair care products automotive finishes, window frames and animal feed, to name a few. To ensure that Jamaica continues to realize the significant export opportunities which the Cuban market offers, the Bank, in collaboration with JAMPRO and with the support of private sector companies, has engaged a Trade Attaché, stationed in Cuba, with the primary objective of promoting trade relations and expanding business between Jamaican companies and their Cuban counterparts. This initiative, our continued liaison with Banco Nacional de Cuba, and the exchange of Trade Missions between both countries, are expected to result in increased usage of the Line of Credit in the upcoming 2017/2018 financial year.

BUSINESS ADVISORY SERVICES

The Business Advisory Services Unit (BAS) remained resolute in achieving its mission of helping Small and Medium Enterprises (SMEs) to access the information and knowledge needed to build capacity, succeed and become profitable entities. The BAS continued to provide this service through targeted training interventions and knowledge sharing based on identified knowledge gaps. In September 2016 when the Bank launched the latest product in its portfolio, the SMTE loan facility, the BAS held two (2) special seminars in Montego Bay, geared towards helping members of the Tourism sector and the Linkages Network to access financing.

The BAS Unit also staged a series of workshops under the theme "'Success Strategies for SMEs", which focused on helping business owners to improve their strategic development and financial acumen towards improved access to funding and improved business performance. The BAS through its partnership with the Katalyxt Business Development Team, initiated a competency test prior to training to assess participants' knowledge in key business operations. The results will be used as a baseline to measure learning and the impact of the BAS training. It will also serve as a guide in developing future training curriculum.
For the year 2016/17, the BAS Unit was able to directly impact over 115 business persons through its workshops and many others through the information shared in weekly episodes of the EXIMBankJa radio programme. Some of the topics covered included Registering a Tourism Entity, Taxation and Compliance Obligations, Opportunities for Small and Medium Tourism Enterprises (SMTE) and Entrepreneurship in Jamaica.

The BAS employed greater use of technology and digital media tools in making its content its more readily accessible and available to a wider cross-section of Jamaican entrepreneurs. This enabled the BAS to increase its connection and influence among a growing network of social entrepreneurs who were not reached through traditional media channels. Since January 2017, the BAS has been able to increase its social media footprint significantly, increasing its followers across Instagram, Twitter and Facebook.

115+

"The BAS Unit was able to directly impact over 115 business persons through its workshops"

The BAS continued to work closely with other entities in order to deepen its reach and collective impact on the country's productive sector. Some of the entities with whom the unit partnered were the Ministry of Tourism, the Tourism Enhancement Fund (TEF) the Branson Centre of Entrepreneurship of the Caribbean, the Companies of Jamaica (COJ) and the Jamaica Hotel and Tourist Association (JHTA).

KEY STAKEHOLDERS

DEVELOPMENT BANK OF JAMAICA

The EXIM Bank has a strong relationship with the Development Bank of Jamaica (DBJ) through which it is able to provide financing support to companies. The Credit Enhancement Fund (CEF), offered by the DBJ, which provides guarantees to companies which are unable to provide adequate collateral, has facilitated the expansion of access to financing for many business entities particularly SMEs. The EXIM Bank has been a major user of this special guarantee fund, which has enabled it to increase loan offerings to its target market to access loans for improved efficiency in operations and expand capacity

LOCAL

JAMAICA EXPORTERS' ASSOCIATION & JAMAICA MANUFACTURERS' ASSOCIATION

The Bank continued to work closely with these two organizations, providing sponsorship for their activities geared toward the development of the productive sector, and participating in workshops aimed at capacity building for global competitiveness. The Bank also continued its provision of specially designed financing packages, facilitating the purchase of light equipment and working capital for the Associations' membership.

KEY STAKEHOLDERS

BERNE UNION

The Bank remains a member of the International Union of Credit and Investment Insurers (BERNE Union) which represents Export Credit Agencies around the World and continued to benefit from this affiliation. The Bank remains the only English speaking Caribbean country to hold membership in this august body, and through this association, the Bank is able to benefit from the vast knowledge and experience amassed over the period of the Union's existence.

OVERSEAS REINSURERS

The Bank has entered into a quota share arrangement with its overseas reinsurers as a part of its risk mitigation strategy for its Credit Insurance portfolio. Under this arrangement, the reinsurers underwrite up to 60% of the portfolio of the insurable risk in exchange for an equivalent amount of premium income. Both commercial and political risks are covered.

BANCO LATINAMERICANO

The Bank has enjoyed a mutually beneficial relationship with this Panama based Latin Trade Development Bank
since its inception, both as one of its founding shareholders as well as a beneficiary of its lending programme. A Five Million United States dollar (US$5.0 Million) Line of Credit has been extended to the Bank to finance raw material and intermediary goods imported from overseas markets which has greatly assisted in the provision of financing to our clients at competitively priced rates of interest.

CARIBBEAN EXPORT DEVELOPMENT AGENCY (CARIBBEANEXPORT)

This entity is a regional trade and investment agency involved in the provision of export development and investment promotion services to companies in the region, through financial assistance in the form of grants to small and medium sized enterprises. This is aimed at strengthening SMEs operational, financial and marketing capabilities to improve their export performance. The Bank continued to work with CaribbeanExport to foster continued growth of SMEs in the region.

MULTI-NATIONAL PARTNERS

The Bank has engaged both the Inter-American Development Bank (IADB) and the International Finance Corporation (IFC), a division of the World Bank, for financial and technical support from time to time, and they are considered important partners as the Bank seeks to deepen and strengthen its relationship with the key sectors of the Jamaican economy.

INTERNATIONAL

RISK MANAGEMENT

The EXIM Bank in January 2010 introduced an Enterprise Risk Management (ERM) regime, with the aim of ensuring that a comprehensive approach to risk management was embedded in its operations.

EXIM Bank adopted the key requirements of the Committee of Sponsoring Organisation of the Treadway Commission (COSO) and the Australian/New Zealand Standard on Risk Management (AS/NZS 31000:2009) models. These are the two most widely used frameworks. The Bank's risk management framework is administered by the Risk Management Division which has responsibility for the monitoring of the Bank's entire portfolio of risks and ensures that the Bank is compliant with statutory, regulatory and reporting requirements.

The risk management framework is supported by strong risk governance and operational structures, which ensure that business and operational activities are conducted within the context of the Board's risk appetite and tolerance levels. The risk governance structure includes policies, procedures and administrative controls, which are effected through relevant Committees namely, the Board Enterprise Risk Management, the Executive Risk Management and Management Credit Committees.

The Internal Audit Division independently and objectively monitors the effectiveness of risk management policies, procedures and internal controls.

The EXIM Bank remains committed to a structured approach to: identifying, assessing, monitoring, controlling and reporting its principal risk exposures across its entire operations. The Bank is steadfast in closely monitoring existing and emerging risks, with a view to preserving the value of the organisation for the benefit of its stakeholders. The principal risks assumed in the conduct of the Bank's activities during the year were: credit risk, liquidity risks, operational risks and market risks (currency, interest rate and price).

The Risk Management Division identified a number of risks for the financial year 2016-2017 and appropriate mitigation strategies were implemented. One such risk is the potential loss of earnings by exporters which may impair their ability to service their loans with EXIM Bank arising from the aftermath of BREXIT and possible changes in US trade policies. As a mitigation strategy, the Bank has been identifying and monitoring clients whose major markets lie in the UK.

Another risk is the erosion of collateral margins in the Bank's USD portfolio where loans are collateralized by assets valued in Jamaican dollars. The on-going devaluation of the J$ against the US$, may result in an exposure to the Bank. The treatments implemented include ongoing monitoring of these accounts and implementing one or both of the following actions: Convert the US$ facility to a J$ loan or obtain additional security to close the gap.

OUR PEOPLE

For the financial year 2016/2017, EXIM placed special focus on retraining and developing its staff, especially in the context of the non-finalization of the reclassification and organizational review exercise undertaken. However, despite the challenges, the Bank remained resolute in the desire to attract and retain the "Best Fit" as well as to modernize its Human Resource policies and practices to the benefit of the EXIM Team. The Bank also commenced a comprehensive review of its Succession Planning Program in an effort to expand the pool of potential successors as a risk mitigation strategy against the loss of critical skill sets.

During the period under review, emphasis was placed on strategic recruitment initiatives and talent management strategies. Focus was also directed on increasing benefits to staff, and the implementation of Tuition Reimbursement and Tertiary Grant Programs as agreed with the Union and the Ministry of Finance and Public Service, was effected.

The Bank continued to take pride in its Graduate Internship Program which was expanded and formalized during the financial year and has also expanded its Summer Work Programme. The objective of the programmes, is to prepare and develop young university graduates to enter the professional world of work.

Due to changes in the Bank's business processes, recommendations emanating from an organizational review (outside of the scope for Ministry approval), were implemented in specific areas. This was done to ensure an alignment with structure and processes in order to promote efficiency and effectiveness in the Bank's operations.

For the financial year 2017/2018, EXIM will take advantage of new opportunities using technology to inculcate a learning and development culture; provide relevant training courses to upgrade human capital; implement the revised succession plan and additional staff welfare initiatives.

CORPORATE SOCIAL RESPONSIBILITY

EXIM Bank continued to make a positive impact through its Corporate Social Responsibility (CSR) efforts The Bank, through its Social Outreach Fund and support of staff members were able to provide financial assistance and care to charitable organisations such as Missionaries of the Poor, the Best Care Foundation, Jamaica Cancer Society, the Jamaica Red Cross and the Heart Foundation of Jamaica Go Red initiatives.

Two highlights of the year were the Bank's Easter and Christmas treats at the Rita Thomas Basic School and the Missionaries of the Poor where we contributed cleaning agents, toiletries and gifts of clothing and toys. The Bank also continued its annual participation in the Sigma Run.

For 2017/2018, the Bank plans to extend its philanthropic reach with the active participation of staff in charitable giving.

COMPENSATION PACKAGE

SENIOR EXECUTIVE COMPENSATION
April 1, 2016 - March 31, 2017

Position of Senior Executive 2016/2017	Salary ($)	Gratuity ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Honorarium ($)	Pension or Other Retirement Benefits ($)	Clothing/ Payment in Lieu of Blazer ($)	Non-Cash Benefits/ Accured Vac. Leave Cost ($)	Other Cash Benefits - Incentive ($)	Total ($)
MANAGING DIRECTOR *	10,105,791	2,459,390	2,021,250			0	373,140	943,408	15,902,979
FIS MANAGER	4,819,656	1,176,351	1,598,838			57,930	522,617	449,931	8,625,323
MANAGER TRADE	4,819,656	1,168,489	1,598,838			57,930	721,709	359,944	8,726,566
HRA MANAGER	4,408,756	2,066,406	1,598,838			93,833	419,510	401,982	8,989,325
MANAGER INTERNAL AUDIT (1)	434,132	0	197,197			13,499	0	0	644,828
MANAGER INTERNAL AUDIT (2)	4,203,305	0	1,598,838			46,070	360,255	0	6,208,468
MANAGER LEGAL	4,819,656	1,285,191	1,598,838			57,468	24,887	449,931	8,235,971
MANAGER RISK MGMT	2,936,313	2,215,198	1,064,210			55,723	47,069	421,161	6,739,674
TOTAL	**36,547,265**	**10,371,025**	**11,276,846**	**0**	**0**	**382,453**	**2,469,187**	**3,026,357**	**64,073,134**

Notes

1. All Senior Executives are employed on Fixed Term Contracts hence $0.00 for Pension /Retirement Benefits.

2. The Bank received an increase in clothing allowance effective April 1, 2015. However, the increase of $5,930.00 was not paid until 2016, hence some Managers retroactive payment varies. Further, receipt of retroactive payment would take into consideration anniversary date of each individual's contract or if the employee demitted office or was employed during the financial year.

3. Manager, Human Resource and Administration (HRA) received clothing allowance of $93,833.00 in 2016/2017 on the anniversary of her fixed term contract, which is above the amount of $52, 000.00 of which she was eligible to receive. This was due to an omission of this payment for the period 23 September 2015 to June 22, 2016 when she should have received said allowance.

4. Internal Audit Manager (1); The incumbent demitted office on May 4, 2016, prior to resumption of duties from maternity and vacation leave.

5. Internal Audit Manager (2); The incumbent was temporarily assigned the duties of Manager, Internal Audit on January 29, 2016, in place of the then Manager who was officially on leave.

DIRECTORS' COMPENSATION
April 1, 2016 - March 31, 2017

Director	Gross Fees ($)	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Gary Hendrickson	262,200.00	0.00	0.00	0.00	**262,200.00**
Geoffrey Zaidie	174,300.00	0.00	0.00	0.00	**174,300.00**
Bevan Callam	255,000.00	0.00	0.00	0.00	**225,000.00**
Norman Reid	255,100.00	0.00	0.00	0.00	**225,100.00**
Albert Webb	0.00	0.00	0.00	0.00	**0.00**
Lisa Bell	0.00	0.00	0.00	000.	**0.00**
Total Remuneration	**916,600.00**	**0.00**	**0.00**	**0.00**	**916,600.00**
Less Adjustments for PAYE for previous directors for 2015					**(-14,625.00)**
					901,975.00

Notes

1. Director Albert Webb indicated that he does not wish to be paid for his services as Director of EXIM Bank

2. Mrs Lisa Bell in her capacity as Managing Director did not receive Directors Compensation

3. The $14,625.00 relates to amounts overaccrued in 2015/2016 for the following past Directors and adjusted in 2016/2017: The Hon. William Clarke ($4.000), Andrea Cowan ($2,125), Effie Crooks ($2,125), Megan Deane ($2,125), Analise Harewood ($2,125) and Enith Williams ($2,125)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

(Expressed in Jamaican dollars unless otherwise indicated)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Index to the Financial Statements
31 March 2017

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Building a better working world

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Export-Import Bank of Jamaica Limited (the Bank), which comprise the statement of financial position as at 31 March 2017 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Bank as at 31 March 2017, and of the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

The Bank's Board of Directors are responsible for overseeing the Bank's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Report on the Financial Statements (Continued)

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

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

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Report on the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Additional Matters as requirements by the Jamaican Companies Act
We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Ernst & Young
Chartered Accountants
Kingston, Jamaica

30 June 2017

A member firm of Ernst & Young Global Limited

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Statement of Comprehensive Income
Year ended 31 March 2017
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2017 $'000	2016 $'000
Interest and fee income:			
Loans		510,639	501,815
Investments		53,960	67,008
		564,599	568,823
Interest and fee expense:			
Loans		(174,524)	(196,835)
Lines of credit		(8,664)	(10,710)
		(183,188)	(207,545)
Net interest income		381,411	361,278
Credit losses	3 (a)	(51,075)	(26,160)
		330,336	335,118
Other income:			
Dividend income		26,548	24,817
Fees and other charges		1,923	4,043
Foreign exchange gains		35,669	28,814
Gain on revaluation of investment property	18	25,000	-
Insurance premium		6,357	8,720
Other	5	43,962	47,309
		139,459	113,703
Operating Profit		469,795	448,821
Administration expenses	6	(405,374)	(425,603)
Profit before taxation		64,421	23,218
Taxation	8	16,556	4,461
Net profit for the year		80,977	27,679
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss:			
Unrealized gains/(losses) on available-for-sale financial assets	8	50,188	(115,210)
Items that will not be reclassified to profit or loss:			
Remeasurement of pension and other employment benefit obligation, net of taxes	8	167,868	61,727
Total Other Comprehensive Income/(Loss)		218,056	(53,483)
Total Comprehensive Income/(Loss)		299,033	(25,804)

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Statement of Financial Position
As at 31 March 2017
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2017 $'000	2016 $'000
ASSETS			
Cash and deposits	9	2,432,263	1,598,163
Notes and other receivables	10	396,243	525,607
Notes discounted	11	1,980,596	1,799,842
Medium-term loans receivable	12	1,980,448	2,337,140
Demand and non-accrual loans	13	644,198	931,016
Investments	14	585,860	506,443
Letters of credit		46,097	-
Long-term loans receivable	15	29,759	38,427
Income tax recoverable		139,898	134,645
Deferred tax assets	20	-	275
Post-employment benefit asset	16	299,771	63,842
Property and equipment	17	58,034	67,364
Investment property	18	185,000	160,000
Total Assets		8,778,167	8,162,764
LIABILITIES			
Payables		57,222	64,212
Short-term loans and lines of credit	19	54,175	58,221
Long-term loans payable	21	4,196,167	4,372,553
Letters of credit		46,097	-
Deferred tax liabilities	20	31,524	-
Post-employment benefit obligation	16	172,517	146,346
Total Liabilities		4,557,702	4,641,332
EQUITY			
Share capital	22	2,066,824	1,666,824
Capital reserve	23	352,458	352,458
Reserve fund	24	206,145	193,998
Reserve for trade credit insurance	25	7,802	7,802
Investment revaluation reserve	26	250,280	200,092
Property revaluation		55,795	55,795
Retained earnings		1,281,161	1,044,463
Total Equity		4,220,465	3,521,432
Total Liabilities and Equity		8,778,167	8,162,764

Approved for issue on the Board of Directors on 30 June 2017 and signed on its behalf by:

Gary Hendrickson Chairman

Lisa Simone Bell Managing Director

Norman Reid Audit Committee Chairman

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED

Statement of Changes in Equity
Year ended 31 March 2017
(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital $'000 (Note 22)	Capital Reserve $'000 (Note 23)	Reserve Fund $'000 (Note 24)	Reserve for Trade Credit Reserve $'000 (Note 25)	Investment Revaluation Reserve $'000 (Note 26)	Property Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 April 2015	601,824	352,458	189,846	7,802	315,302	55,795	959,209	2,482,236
Increase in Share Capital	1,065,000	-	-	-	-	-	-	1,065,000
Transfer to Reserve Fund (Note 24)	-	-	4,152	-	-	-	(4,152)	-
Net profit	-	-	-	-	-	-	27,679	27,679
Other comprehensive (loss), net of taxes:								
Unrealised fair value loss on available-for-sale investments	-	-	-	-	(115,210)	-	-	(115,210)
Remeasurement of pension and other employment benefit obligation	-	-	-	-	-	-	61,727	61,727
Balance at 31 March 2016	1,666,824	352,458	193,998	7,802	200,092	55,795	1,044,463	3,521,432
Increase in Share Capital	400,000	-	-	-	-	-	-	400,000
Transfer to Reserve Fund (Note 24)	-	-	12,147	-	-	-	(12,147)	-
Net profit	-	-	-	-	-	-	80,977	80,977
Other comprehensive income, net of taxes:								
Unrealised fair value gain on available-for-sale investments	-	-	-	-	50,188	-	-	50,188
Remeasurement of pension and other employment benefit obligation	-	-	-	-	-	-	167,868	167,868
Balance at 31 March 2017	2,066,824	352,458	206,145	7,802	250,280	55,795	1,281,161	4,220,465

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
Statement of Cash Flows
Year ended 31 March 2017
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Net profit		80,977	27,679
Adjustments for:			
Depreciation	17	12,447	9,341
Loss on disposal of property and equipment		2,145	-
Gain on revaluation of investment property	18	(25,000)	-
Foreign exchange gains		(35,669)	(28,814)
Interest and fee income		(564,599)	(568,823)
Dividend income		(26,548)	(24,817)
Interest and fee expense		183,188	207,545
Pension expense		30,443	33,269
Taxation	8	(16,556)	(4,461)
		(359,172)	(349,081)
Changes in operating assets and liabilities -			
Notes and other receivables		126,113	318,498
Notes discounted		(179,973)	(880,429)
Medium-term loans receivables		350,324	(308,477)
Demand and non-accruals loans		286,818	45,735
Long-term loans receivable		8,261	315
Post-employment benefit		16,377	18,027
Payables		(6,990)	24,637
		241,758	(1,130,775)
Income tax paid		(12,854)	(7,436)
Interest and fees received		577,673	540,745
Dividend received		26,548	24,817
Interest and fees paid		(188,331)	(208,733)
Net cash provided by (used in) operating activities		644,794	(781,382)
Cash Flows from Investing Activities			
Purchase of property and equipment	17	(5,332)	(13,266)
Proceeds from disposal of property and equipment		70	2,879
Investments		(33,058)	(29,989)
Net cash used in investing activities		(38,320)	(40,376)
Cash Flows from Financing Activities			
Short-term loans and lines of credit		(3,891)	(65,493)
Repayments of long-term loans payable		(490,398)	(468,988)
Proceeds from long-term loans payable		319,000	36,637
Capital injection from Government of Jamaica		400,000	1,065,000
Net cash provided by financing activities		224,711	567,156
Net increase/(decrease) in cash and cash equivalents for year		831,185	(254,602)
Effect of foreign exchange rate changes on cash and cash equivalents		1,532	(2,066)
Cash and cash equivalents at beginning of year		1,596,583	1,853,251
Cash and Cash Equivalents at End of Year	9	2,429,300	1,596,583

NATIONAL EXPORT-IMPORT BANK OF JAMAICA LIMITED
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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) through the Accountant General. The registered office is located at 85 Hope Road, Kingston 6 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) as issued by the International Accounting Standards Board (IASB), 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. These have impacted the Bank's accounting policies and/or financial disclosures as indicated below. The pronouncements were effective from 1 January 2016, unless otherwise indicated.

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments had no impact on the Bank's financial statements.

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2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

New standards and amendments/revisions to published standards and interpretations effective in 2016 but not applicable to the Bank

The following new standards, amendments and annual improvements that have been issued do not apply to the activities of the Bank:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation – Effective 1 January 2016
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants – Effective 1 January 2016
- Amendments to IAS 27: Equity Method in Separate Financial Statements – Effective 1 January 2016
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Effective 1 January 2016
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests – Effective 1 January 2016
- IFRS 14 Regulatory Deferral Accounts – Effective 1 January 2016

Annual Improvements *2012-2014 Cycle*

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures (Servicing contracts and Applicability of the offsetting disclosures to condensed interim financial statements)
- IAS 19 Employee Benefits - Discount rate: regional market issue
- IAS 34 Interim Financial Reporting - Disclosure of information ‘elsewhere in the interim financial report’

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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
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 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted. These amendments have an effective date of 1 January 2017.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application is permitted. These amendments have an effective date of 1 January 2017.

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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)

IFRS 2 Classification and Measurement of Share-based Payment Transactions–Amendments to IFRS 2

The amendments address three main areas:

- **The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction** - The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

- **The classification of a share-based payment transaction with net settlement features for withholding tax obligations** - This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature').

- **The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled -** The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

The effective date for these amendments is 1 January 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted.

IFRS 9 Financial Instruments

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

(i) Classification and measurement of financial assets and financial liabilities

An entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

IFRS 9 Financial Instruments (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

For financial liabilities designated as FVTPL using the fair value option, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in the profit or loss, unless presentation in the OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

(ii) Impairment

IFRS 9 requires entities to record expected credit losses (ECL) on all of its debt securities, loans and receivables. Entities are required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL either on a 12-month or lifetime basis.

(iii) Hedge accounting

This amendment would not apply as the Bank does not apply hedge accounting.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

Temporary exemption from IFRS 9

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest.

The overlay approach

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. The effective date for these amendments is 1 January 2018.

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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)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard establishes a five-step model to account for revenue arising from contracts with customers and also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition.

The amendments:
- Clarify when a promised good or service is distinct within the context of the contract
- Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators
- Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time
- Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
- Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

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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)

IFRS 16 Leases

The scope of this standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Lessees recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).
- Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
- Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

This standard is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. Early application is permitted, but not before an entity applies IFRS 15.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight.

Early application of the amendments is permitted and must be disclosed. This amendment is effective for annual periods beginning on or after 1 January 2018.

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2. Significant Accounting Policies (Continued)

(b) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:
(i) The beginning of the reporting period in which the entity first applies the interpretation or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Early application of interpretation is permitted and must be disclosed. This interpretation is effective for annual periods beginning on or after 1 January 2018.

Annual Improvements *2012-2014 Cycle*

The amendments from the 2014-2016 annual improvements cycle are as follows:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendments) - Deletion of short-term exemptions for first-time adopters (effective 1 January 2018)
- IAS 28 Investments in Associates and Joint Ventures (Amendment) - Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice (effective 1 January 2018)
- IFRS 12 Disclosure of Interests in Other Entities (Amendment) - Clarification of the scope of the disclosure requirements in IFRS 12 (effective 1 January 2017)

(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.

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2. Significant Accounting Policies (Continued)

(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.

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(p), 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 profit or loss 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.

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 profit or loss in the statement of comprehensive income. Impairment losses recognised in profit or loss in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

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2. Significant Accounting Policies (Continued)

(d) Fair value measurement

The Bank measures financial instruments and non-financial assets at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(e) 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.

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.

(f) 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.

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2. Significant Accounting Policies (Continued)

(g) Property and equipment

All property 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:

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

Gains or losses on disposal of property 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 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 levels for which there are separately identified cash flows.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) 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. The fair value is determined by an independent valuator every two (2) years and during the intervening period by the Bank using in-house valuation method.

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.

The property rental income earned by the Bank from its investment property under an operating lease is recorded in the Statement of Comprehensive Income.

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2. Significant Accounting Policies (Continued)

(i) 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.

(j) 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.

(k) Cash and deposits

Cash and deposits 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.

(l) 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.

(m) 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.

(n) Payables

Payables are recorded at cost. No interest is accrued on outstanding balances, as these are usually settled within a short period of time during which any interest charged would be immaterial.

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2. Significant Accounting Policies (Continued)

(o) 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 other comprehensive income in equity in the period in which they arise.

Past-service costs are recognised immediately in profit or loss 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 the 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.

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2. Significant Accounting Policies (Continued)

(p) 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 at initial recognition. 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.

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.

(q) 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 and substantively 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.

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2. Significant Accounting Policies (Continued)

(r) 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.

(s) 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 Bank 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.

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3. Financial Risk Management (Continued)

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, 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.

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.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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).

- 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 such as:

- 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.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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, 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.

Management monitors the market value of collateral and 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	
	2017	**2016**
	$'000	**$'000**
Cash and deposits (Note 9)	2,432,263	1,598,163
Notes receivable (excluding prepayment)	366,563	486,329
Notes discounted (Note 11)	1,980,596	1,799,842
Medium-term loans receivable (Note 12)	1,980,448	2,337,140
Demand and non-accruals loans (Note 13)	644,198	931,016
Investments (Note 14)	170,059	161,670
Long-term loans receivable (Note 15)	29,759	38,427
Other receivables (Note 10)	20,614	28,531
	7,624,500	7,381,118

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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 are not eligible for the Bank's financing.

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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.

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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:

	2017 $'000	2016 $'000
Neither past due nor impaired	4,266,342	4,418,793
Past due but not impaired	57,307	224,995
Impaired -		
Protracted delinquency	397,529	797,265
Default	408,680	317,725
	5,129,858	5,758,778
Less: Provision for credit losses	(107,680)	(137,493)
	5,022,178	5,621,285

Included in the analysis above are renegotiated loans of $96,895,826 (2016 - $20,168,000).

The fair value of collateral that the Bank held as security for individually impaired loans was $1,423,662,000 (2016 - $1,469,564,000).

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:

	2017 $'000	2016 $'000
Agro Processing	1,085,161	1,146,707
Food and Beverage	30,959	20,913
Textiles and Apparel	11,823	16,408
Manufacturing	1,213,696	1,426,929
Distribution	610,042	691,527
Mining	87,215	73,660
Services and ICT	1,925,176	1,550,085
Tourism	20,878	638,803
Other	37,228	56,253
	5,022,178	5,621,285

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans (continued)

Movement in the provision for probable loan losses:

	2017 $'000	2016 $'000
At beginning of year	137,493	137,382
Provision made during the year	67,008	44,407
Bad debt recovered	(15,933)	(18,247)
	188,568	163,542
Provision/adjustments written-off	(80,888)	(26,049)
At end of year	107,680	137,493

Provision for probable loan losses comprises:

	2017 $'000	2016 $'000
Notes discounted (Note 11)	7,670	9,185
Demand and non-accrual loans (Note 13)	100,010	128,308
	107,680	137,493

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:

	2017 $'000	2016 $'000
Government of Jamaica (Note 14)	10,884	10,886
Securities purchased under agreements to resell (Note 14)	159,175	150,784
Short-term deposits (Note 9)	1,757,201	1,103,400
	1,927,260	1,265,070

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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.

			2017		
	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	54,175	-	-	-	54,175
Long-term loans payable	258,456	657,875	3,458,774	257,320	4,632,425
Payables	57,222	-	-	-	57,222
Total financial liabilities	369,853	657,875	3,458,774	257,320	4,743,822

			2016		
	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	58,221	-	-	-	58,221
Long-term loans payable	237,123	616,387	3,381,302	700,516	4,935,328
Payables	64,212	-	-	-	64,212
Total financial liabilities	359,556	616,387	3,381,302	700,516	5,057,761

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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$'000	CAN$ J$'000	Total J$'000
		2017		
Financial assets				
Cash and deposits	1,192,995	1,234,215	5,053	2,432,263
Notes and other receivables	21,488	321,126	53,629	396,243
Notes discounted	1,911,857	68,739	-	1,980,596
Medium-term loans receivable	1,136,284	844,164	-	1,980,448
Demand and non-accrual loans	619,859	24,339	-	644,198
Investments	11,053	574,807	-	585,860
Letters of credit	-	46,097	-	46,097
Long-term loans receivable	29,759	-	-	29,759
Total financial assets	4,923,295	3,113,487	58,682	8,095,464
Financial liabilities				
Short-term loans and lines of credit	-	-	54,175	54,175
Long-term loans payable	1,222,884	2,973,283	-	4,196,167
Letters of credit	-	46,097	-	46,097
Payables	57,222	-	-	57,222
Total financial liabilities	1,280,106	3,019,380	54,175	4,353,661
Net financial position	3,643,189	94,107	4,507	3,741,803

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	JA$ J$'000	US$ J$'000	CAN$ J$'000	Total J$'000
		2016		
Financial assets				
Cash and deposits	610,248	981,946	5,969	1,598,163
Notes and other receivables	25,678	442,730	57,199	525,607
Notes discounted	1,088,209	711,633	-	1,799,842
Medium-term loans receivable	1,659,909	677,231	-	2,337,140
Demand and non-accrual loans	368,188	562,828	-	931,016
Investments	22,343	484,100	-	506,443
Long-term loans receivable	38,427	-	-	38,427
Total financial assets	3,813,002	3,860,468	63,168	7,736,638
Financial liabilities				
Short-term loans and lines of credit	-	-	58,221	58,221
Long-term loans payable	1,144,924	3,227,629	-	4,372,553
Payables	64,212	-	-	64,212
Total financial liabilities	1,209,136	3,227,629	58,221	4,494,986
Net financial position	2,603,866	632,839	4,947	3,241,652

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**
	2017		**2016**	
Currency	**%**	**$'000**	**%**	**$'000**
		Devaluation		
USD	6	5,646	6	37,970
CAN	6	270	6	297
		Revaluation		
USD	-1	(941)	-1	(6,328)
CAN	-1	(45)	-1	(49)

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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
			2017			
Cash and deposits	2,432,263	-	-	-	-	2,432,263
Notes and other receivables	204,473	191,213		557	-	396,243
Notes discounted	985,745	857,014	137,837	-	-	1,980,596
Medium-term loans receivables	4,979	14,827	1,957,629	-	3,013	1,980,448
Demand and non-accrual loans	-	-	-	-	644,198	644,198
Investments	-	157,180	-	12,879	415,801	585,860
Letters of credit	-	-	-	46,097	-	46,097
Long-term loans receivable	-	245	9,203	20,265	46	29,759
Total financial assets	3,627,460	1,220,479	2,104,669	79,798	1,063,058	8,095,464
Short-term loans and lines of credit	54,175	-	-	-	-	54,175
Long-term loans payable	205,852	384,005	2,998,079	608,231	-	4,196,167
Letters of credit	-	-	-	46,097	-	46,097
Payables	-	-	-	-	57,222	57,222
Total financial liabilities	260,027	384,005	2,998,079	654,328	57,222	4,353,661
Total interest repricing gap	3,367,433	836,474	(893,410)	(574,530)	1,005,836	3,741,803
Cumulative gap	3,367,433	4,203,907	3,310,497	2,735,967	3,741,803	

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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
			2016			
Cash and deposits	1,598,163	-	-	-	-	1,598,163
Notes and other receivables	264,623	260,398	586	-	-	525,607
Notes discounted	791,620	892,604	87,469	28,149	-	1,799,842
Medium-term loans receivable	2,127	243,433	2,091,544	-	36	2,337,140
Demand and non-accrual loans	-	-	-	-	931,016	931,016
Investments	-	84,800	-	76,870	344,773	506,443
Long-term loans receivable	-	1,290	14,774	22,363	-	38,427
Total financial assets	2,656,533	1,482,525	2,194,373	127,382	1,275,825	7,736,638
Short-term loans and lines of credit	58,221	-	-	-	-	58,221
Long-term loans payable	186,554	513,427	2,690,510	982,062	-	4,372,553
Payables	-	-	-	-	64,212	64,212
Total financial liabilities	244,775	513,427	2,690,510	982,062	64,212	4,494,986
Total interest repricing gap	2,411,758	969,098	(496,137)	(854,680)	1,211,613	3,241,652
Cumulative gap	2,411,758	3,380,856	2,884,719	2,030,039	3,241,652	

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 $41,580,000 (2016 - $34,477,000) in equity, through other comprehensive income.

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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 behavior. 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 authorization 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 financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Bank 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 Bank 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 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)

Investment 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).

The fair value is determined by an independent valuator every two (2) years and during the intervening period by the Bank using an in-house valuation method.

5. Other Income

	2017	2016
	$'000	$'000
Trade credit insurance claim recovery	229	420
Rental income & Strata maintenance	24,634	22,726
Interest on bank account	3,246	5,687
Other income	15,853	18,476
	43,962	47,309

6. Expenses by Nature

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

	2017	2016
	$'000	$'000
Auditors' remuneration	2,205	2,100
Depreciation	12,447	9,341
Directors' emoluments-		
Fees	902	1,159
Management (included in staff costs-Note 7)	17,457	17,352
Other staff costs (included in staff costs-Note 7)	232,417	243,397
Other operating expenses	139,946	152,254
	405,374	425,603

7. Staff Costs	2017	2016
	$'000	$'000
Salaries and wages	179,620	187,964
Statutory payroll taxes-employer portion	17,409	17,834
Pension asset (Note 16)	12,231	18,115
Pension obligation (Note 16)	18,212	15,154
Other staff costs	22,402	21,682
	249,874	260,749

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

	2017	2016
Trade	18	18
Administration	51	45
	69	63

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8. Taxation

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

	2017	2016
	$'000	$'000
Current tax	7,601	4,225
Deferred tax credit (Note 20)	(24,157)	(8,686)
	(16,556)	(4,461)

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

	2017	2016
	$'000	$'000
Profit before tax	64,421	23,218
Tax calculated at a rate of 25%	16,105	5,804
Adjustment for the effects of:		
Income not taxable	(32,990)	(10,515)
Expenses not deductible for tax purposes	329	250
	(16,556)	(4,461)

The tax charge relating to components of other comprehensive income are as follows:

	2017		
	Before tax	Tax charge	After tax
	$'000	$'000	$'000
Item that may be subsequently reclassified to profit or loss:			
Unrealised gain on available-for-sale financial assets	50,188	-	50,188
Items that will not be reclassified to profit or loss:			
Remeasurement of pension and other employment benefit obligation	223,824	(55,956)	167,868
	274,012	(55,956)	218,056

	2016		
	Before tax	Tax charge	After tax
	$'000	$'000	$'000
Item that may be subsequently reclassified to profit or loss:			
Unrealised loss on available-for-sale financial assets	(115,210)	-	(115,210)
Items that will not be reclassified to profit or loss:			
Remeasurement of pension and other employment benefit obligation	82,303	(20,576)	61,727
	(32,907)	(20,576)	(53,483)

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9. Cash and Deposits

	2017 $'000	2016 $'000
Cash	675,062	494,763
Short-term deposits (excluding interest receivable)	1,754,238	1,101,820
Cash and cash equivalents	2,429,300	1,596,583
Interest receivable	2,963	1,580
	2,432,263	1,598,163

Included in short-term deposits above is interest receivable amounting to $2,963,000 (2016 - $1,580,000). Average interest rates - local 5.53% and foreign 2.00% (2016 – local 5.25% and foreign 1.50%)

10. Notes and Other Receivables

	2017 $'000	2016 $'000
Notes receivable	375,629	497,076
Receivable EXBED	19,413	26,952
Premiums receivable	1,201	1,579
	396,243	525,607

Included in notes and other receivables above is interest receivable amounting to $6,006,000 (2016 - $9,257,000).

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.

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11. Notes Discounted

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

	Principal $'000 2017	Interest Receivable $'000 2017	Provision for Credit Losses $'000 2017	Carrying Value $'000 2017	Principal $'000 2016	Interest Receivable $'000 2016	Provision for Credit Losses $'000 2016	Carrying Value $'000 2016
(a) Insurance Policy Discount Facility (IPDF)	122,672	1,834	(4,009)	120,497	179,224	3,279	(5,323)	177,180
(b) Pre-Shipment Facility (PSF)	934,410	19,093	-	953,503	800,681	12,024	-	812,705
(c) Jamaica Exporters' Association (JEA) ExBED	5,799	464	(3,661)	2,602	7,504	402	(3,862)	4,044
(d) Jamaican Dollar Short Term Loans	4,557	9	-	4,566	10,427	146	-	10,573
(e) Development Bank of Jamaica Limited Loan (DBJ#3)	144,783	958	-	145,741	124,352	393	-	124,745
(f) EXIM/IADB Facility		-	-	-	38,142	3,495	-	41,637
(g) J$ Working Capital	727,219	18,413	-	745,632	608,653	20,305	-	628,958
(h) Tourisim Enhancement Fund	8,001	54	-	8,055	-	-	-	-
	1,947,441	40,825	(7,670)	1,980,596	1,768,983	40,044	(9,185)	1,799,842

Maturing as follows:

	2017 $'000	2016 $'000
In less than 12 months	1,842,759	1,684,224
In greater than 12 months	137,837	115,618
	1,980,596	1,799,842

	Interest Rate 2017	2016
(a) Insurance Policy Discount Facility (IPDF)- Secured by insurance policy	12%	12%
(b) Pre-shipment Facility (PSF)- Secured	10%-13%	10%-13%
(c) Jamaica Exporters' Association (JEA) ExBED- Unsecured. This is a joint project with the JEA and loans are available to small exporters.	12%	12%
(d) Jamaican Dollar Short-Term Loans- Secured	10%-13%	10%-13%
(e) Development Bank of Jamaica Limited Loan (DBJ#3)-Secured	10%	Up to 10%
(f) EXIM/IADB Facility	Facility closed	Facility closed
(g) J$ Working Capital Facility	10%-13%	10%-13%
(h)Tourism Enhancement Fund(SMTE)	5%	-

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11. Notes Discounted (Continued)

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.

Pre-Shipment
This is a working capital facility which provides financing to assist customers with the filing of orders by purchasing raw materials. The customer can borrow up to 65% of the specific order. Loans are for 90 days on a revolving basis.

JEA/JMA facility
This facility is to finance working capital requirements as well as purchase raw materials, receivables financing and purchase of small capital equipment. The short term loans are for 180 days and the medium term loans up to 30 months. The loan ceiling is J$3.5 million for JEA and 1.5M for JMA. The JEA facility is administered by the JEA and is primarily for its members.

J$ Short Term facility
The J$ working capital facility is for customers with a revolving J$ denominated line of credit. The loan facility provides working capital support to procure supplies from overseas providers and is targeted to non-earners of foreign currency. Loans are primarily for a period up to 180 days, in exceptional circumstances the loan tenor may be up to 360 days

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 (IADB) 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 balance of 31 March 2017 - Nil (2016: $41,637,000) 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.

The J$ Working Capital Facility
The J$ working capital facility is for clients with a revolving J$ denominated line of credit. The loan facility provides working capital support to procure supplies from overseas providers and is targeted to non-earners of foreign currency. Loans are primarily for a period up to 180 days, in exceptional circumstances the loan tenor may be up to 360 days.

SMTE Facility-- Tourism Enhancement Fund
This loan programme is funded by the Tourism Enhancement Fund and is to qualify small and medium sized tourism enterprises with the Tourism Sector and linkages networks. J$ facility is available for, raw material purchase, capital equipment acquisition, finance infrastructure development, working capital support and for expansion of tours and attraction Clients can borrow up to J$25 million at an interest rate of 5% per annum for a maximum period of 180 days.

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12. Medium-Term Loans Receivable

		Principal $'000 2017	Interest Receivable $'000 2017	Carrying Value $'000 2017	Principal $'000 2016	Interest Receivable $'000 2016	Carrying Value $'000 2016
(a)	Modernisation Fund for Exporters	158,377	758	159,135	422,114	524	422,638
(b)	National Insurance Fund SME (Note 21 (f))	27,097	351	27,448	-	-	-
(c)	US Dollar Medium Term Loans	844,106	2,583	846,689	676,932	299	677,231
(d)	Other Medium Term Loans	14,885	-	14,885	15,596	-	15,596
(e)	SME Growth initiative (SME) formerly (SBDF)	799,549	6,127	805,676	1,206,157	15,518	1,221,675
(f)	Tourisim Enhancement Fund (TEF)	126,461	154	126,615	-	-	-
		1,970,475	9,973	1,980,448	2,320,799	16,341	2,337,140

Maturing as follows:

	2017 $'000	2016 $'000
In less than 12 months	22,819	245,166
In greater than 12 months	1,957,629	2,091,974
	1,980,448	2,337,140

(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 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.

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

(d) 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 $ 2,147,000 (2016 - $2,962,000) 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.

(e) SME Growth Initiative Loan programme – (SME)-(formerly Small Business Discount Facility SBDF)–Secured 10-13% (2016- 10%-13%) – Under this Medium Term loan facility clients can borrow up to Jamaican equivalent of US$500,000 to access working capital, purchase equipment, improve and upgrade existing facilities. Loans are normally for 48 months but in exceptional circumstances may be extended for 5 years. The loan facility can be accessed directly or via Approved Financial Institutions (AFIs).

(f) SMTE Facility-- Tourism Enhancement Fund: This loan programme is funded by the Tourism Enhancement Fund and is to qualify small and medium sized tourism enterprises with the Tourism Sector and linkages networks. J$ facility is available for, raw material purchase, capital equipment acquisition, finance infrastructure development, working capital support and for expansion of tours and attraction Clients can borrow up to J$25 million at an interest rate of 5% per annum for a maximum period of 180 days.

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13. Demand and Non-Accrual Loans

	2017 $'000	2016 $'000
Demand Loans (J$)	24,339	496,495
Demand loans-(US$)	719,869	562,829
Provision for credit losses	(100,010)	(128,308)
	644,198	931,016

14. Investments

	Number of shares held 2017	Number of shares held 2016	2017 $'000	2016 $'000
Available-for-sale securities:				
Bladex:				
Class 'A' common stock	107,065	107,065	313,121	259,615
Class 'B' common stock	28,971	28,971	102,680	85,158
			415,801	344,773
Loans and receivables:				
Securities purchased under resale agreements			159,175	150,784
Government of Jamaica securities (FRANS)			10,884	10,886
			170,059	161,670
			585,860	506,443

	2017 $'000	2016 $'000
Remaining term to maturity:		
From three months to one year	159,175	84,800
Over five years	10,884	76,870
	170,059	161,670

Included in investments is interest receivable amounting to $2,601,000 (2016 - $7,813,000).

The fair value of the underlying securities held as collateral for securities purchased under resale agreements at 31 March 2017 was $1,394,038,000 (2016 - $955,829,000).

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 2017 includes $566,000 (2016 - $973,000) receivable within twelve months.

Included in this amount is an adjustment of $7,070,000 (2016 - $11,296,000), representing the difference between the amortised cost and the net present value, as required under IFRS.

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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 of $30,443,000 (2016 - $33,269,000). The employer's contribution for the year amounted to $14,480,000 (2016 - $815,000).

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, Eckler Consulting Limited.

	2017 $'000	2016 $'000
Assets/(liabilities) recognised in the statement of financial position –		
Post-employment benefit asset	299,771	63,842
Post-employment benefit obligations	(172,517)	(146,346)
Amounts recognised in other comprehensive income		
Post-employment benefit asset	233,679	99,508
Post-employment medical benefit obligation	(9,855)	(17,205)
Tax effect	(55,956)	(20,576)
	167,868	61,727

(a) Post-employment benefit asset

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

	2017 $'000	2016 $'000
Present value of funded obligations	(506,339)	(503,826)
Fair value of plan assets	806,110	567,668
Asset recognised in statement of financial position	299,771	63,842

The movement in the defined benefit obligation was as follows:

	2017 $'000	2016 $'000
At beginning of year	503,826	467,789
Interest cost	44,847	43,948
Current service cost	16,109	15,363
Voluntary contributions	1,410	1,815
Benefits paid during year	(21,506)	(11,997)
Remeasurements:		
Losses from changes in financial assumptions	23	13,591
Changes in demographic assumptions	(25,117)	-
Experience adjustment	(13,253)	(26,683)
At end of year	506,339	503,826

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16. Post-Employment Benefits (Continued)

(a) Post-employment benefit asset (continued)

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

	2017 $'000	2016 $'000
At beginning of year	567,668	449,423
Interest income on plan assets	50,579	42,192
Contributions paid	15,891	2,630
Benefits paid	(21,506)	(11,997)
Administrative expense	(1,854)	(996)
Remeasurement of plan assets	195,332	86,416
At end of year	806,110	567,668

The amounts recognised in the statement of comprehensive income were:

	2017 $'000	2016 $'000
Current service cost	16,109	15,363
Interest cost	44,847	43,948
Interest income on plan assets	(50,579)	(42,192)
Administrative expense	1,854	996
Total included in staff costs (Note 7)	12,231	18,115

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

The Bank expects that it will contribute $8,200,000 to the plan in respect of the year ending 31 March 2018.

The distribution of the plan assets was as follows:

	2017		2016	
	$'000	%	$'000	%
Equities	386,056	48	217,075	38
Debt securities	377,480	47	287,863	51
Repurchase agreements	10,826	1	50,789	9
Other	31,748	4	11,941	2
	806,110	100	567,668	100

A one percent change in discount rate would result in the following total obligation:

	2017	
	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation	443,988	583,318

	2016	
	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation	437,869	586,402

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16. Post-Employment Benefits (Continued)

(a) Post-employment benefit asset (continued)

The four year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan and experience adjustments for the plan asset and liabilities is as follows:

	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Fair value of plan assets	806,110	567,668	449,423	414,821
Defined benefit obligations	(506,339)	(503,826)	(467,789)	(405,296)
Surplus/(Deficit)	299,771	63,842	(18,366)	9,525
Experience adjustments -				
Fair value of plan assets	195,332	86,415	9,033	(31,603)
Defined benefit obligations	(13,253)	(26,683)	(16,362)	-

(b) Other post-employment benefit obligations

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

	2017 $'000	2016 $'000
Present value of obligation	172,517	146,346

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

	2017 $'000	2016 $'000
At beginning of year	146,346	115,434
Current service cost	5,126	4,257
Interest cost	13,086	10,897
Benefits paid	(1,896)	(1,447)
Remeasurements:		
Changes in demographic assumptions	1,164	9,189
Losses from changes in financial assumptions	13,445	2,213
Experience (gains)/ losses	(4,754)	5,803
At end of year	172,517	146,346

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

	2017 $'000	2016 $'000
Current service costs	5,126	4,257
Interest cost	13,086	10,897
Total included in staff costs (Note 7)	18,212	15,154

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16. Post-Employment Benefits (Continued)

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

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 result in the following obligations:

	2017	
	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation (medical/life benefits)	147,000	205,002

	2016	
	1% Increase $'000	1% Decrease $'000
Present value of defined benefit obligation (medical/life benefits)	123,183	176,242

The four year trend for the defined benefit obligations and experience adjustments is as follows:

	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Defined benefit obligations	172,516	146,345	115,434	108,509
Experience adjustments	(4,754)	5,803	(17,227)	-

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16. Post-Employment Benefits (Continued)

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

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

	2017 %	2016 %
Discount rate	9.50	9.00
Inflation rate	6.50	5.50
Medical rates	7.50	7.50
Future salary increases	7.00	6.50
Future pension increases	3.25	2.75

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

	2017	2016
Male	24.0	26.1
Female	26.7	30.2

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:

	2017		
	Impact on defined benefit obligations		
	Change in Assumption	Increase in Assumption $'000	Decrease in Assumption $'000
Discount rate	1%	(62,351)	76,979
Future salary increases	1%	16,839	(15,277)
Expected pension increase	1%	57,857	(48,851)

	2016		
	Change in Assumption	Increase in Assumption $'000	Decrease in Assumption $'000
Discount rate	1%	(65,957)	82,576
Future salary increases	1%	18,443	(16,678)
Expected pension increase	1%	61,712	(51,436)

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16. Post-Employment Benefits (Continued)

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

	2017	
	Impact on defined benefit obligations	
	Increase in Assumption by One Year	Decrease in Assumption by One Year
	$'000	$'000
Life expectancy	8,700	(9,000)

	2016	
	Impact on defined benefit obligations	
	Increase in Assumption by One Year	Decrease in Assumption by One Year
	$'000	$'000
Life expectancy	3,900	(6,600)

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:

	2017		
	Impact on other benefit obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(25,517)	32,485
Future salary increases(medical trend)	1%	31,397	(25,073)
Expected pension increase	1%	280	(253)

	2016		
	Impact on other benefit obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(23,163)	29,896
Future salary increases(medical trend)	1%	29,139	(22,932)
Expected pension increase	1%	206	(186)

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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.

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16. Post-Employment Benefits (Continued)

Risks associated with pension plans and other employee benefit plans (continued)
In the most recent actuarial valuation carried out for funding purposes as at 31 December 2016, the actuaries recommended an amendment to the contribution rate from 18.2% to 10% of members' pensionable salaries until 31 December 2019, when the next triennial valuation is due. The bank contributed at a rate of 18.2% between January 2017 to March 2017, however this was adjusted to a 10% contribution for the period subsequent to the year end.

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 and Equipment

	Office Improvements $'000	Motor Vehicles $'000	Equipment Furniture and Fixtures $'000	Computers $'000	Total $'000
Cost -					
1 April 2015	30,278	10,571	40,125	37,059	118,033
Additions	5,731	-	2,070	5,465	13,266
Disposals	-	(1,050)	(7,296)	(1,906)	(10,252)
31 March 2016	36,009	9,521	34,899	40,618	121,047
Additions	557	-	1,780	2,995	5,332
Disposals	-	-	(1,011)	(2,525)	(3,536)
31 March 2017	36,566	9,521	35,668	41,088	122,843
Depreciation -					
1 April 2015	3,424	8,087	10,529	29,675	51,715
Charge for the year	703	1,098	3,677	3,863	9,341
Disposals	-	(1,050)	(4,418)	(1,905)	(7,373)
31 March 2016	4,127	8,135	9,788	31,633	53,683
Charge for the year	3,622	684	3,306	4,835	12,447
Disposals	-	-	(296)	(1,025)	(1,321)
31 March 2017	7,749	8,819	12,798	35,443	64,809
Net Book Value -					
31 March 2017	28,817	702	22,870	5,645	58,034
31 March 2016	31,882	1,386	25,111	8,985	67,364

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18. Investment Property

(a) These comprise:

Fair Value of Land and Buildings:

	$'000
Balance as at 1 April 2015 & 31 March 2016	160,000
Gain on revaluation of investment property	25,000
Balance as at 31 March 2017	185,000

(i) The property which was previously a part of property 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 $185 million has been arrived at on the basis of valuations carried out by external independent 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 22nd September 2016 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.

The property was externally valued during the year ended 31 March 2017 as the policy applied by management is to obtain an external valuation every two (2) years.

(ii) Rental income in relation to investment property amounted to $17,949,000 (representing 12 months) (April 2015 to March 2016 - $15,811,000). Direct expenses incurred in relation to these properties totalled $4,756,000 (2016 - $6,119,000). .

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

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19. Short-Term Loans and Lines of Credit

	2017 $'000	2016 $'000
Bank of Nova Scotia Jamaica Limited – Cuban Lines of Credit 4.7% (2016 – 5%)	54,175	58,221

Included in short-term loans and lines of credit above is interest payable amounting to $323,000 (2016 - $478,000).

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:

	2017 $'000	2016 $'000
At beginning of year	(275)	(12,165)
Recognised in the statement of comprehensive income (Note 8)	(24,157)	(8,686)
Recognised in the other comprehensive income (Note 8)	55,956	20,576
At end of year	31,524	(275)

Deferred income tax arises as follows:

	2017 $'000	2016 $'000
Deferred income tax assets –		
Accrued vacation	3,620	3,045
Insurance provision	777	776
Post-employment benefit obligation	43,129	36,587
	47,526	40,408
Deferred income tax liabilities –		
Post-employment benefit asset	74,943	15,960
Foreign exchange gain	3,707	2,321
Accelerated tax depreciation	400	2,979
Investment property	-	18,873
	79,050	40,133
	31,524	(275)

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

	2017 $'000	2016 $'000
Accrued vacation	(575)	(451)
Foreign exchange	1,386	(1,909)
Accelerated tax depreciation	(2,579)	1,426
Post-employment benefit asset	562	(4,325)
Post-employment benefit obligation	(4,078)	(3,427)
Investment property	(18,873)	-
	(24,157)	(8,686)

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20. Deferred Taxation (Continued)

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

	2017 $'000	2016 $'000
Post-employment benefit asset	58,420	24,877
Post-employment benefit obligation	(2,464)	(4,301)
	55,956	20,576

21. Long-Term Loans

	2017 $'000	2016 $'000
(a) Government of Jamaica/EXIM	59,124	62,534
(b) PetroCaribe Development Fund	1,364,943	1,396,997
(c) PetroCaribe Development Fund	489,991	560,073
(d) PetroCaribe Development Fund	1,608,340	1,830,632
(e) Development Bank of Jamaica Limited (DBJ)	355,527	523,352
(f) National Insurance Fund	23,488	7,059
(g) Tourisim Enhancement Fund (TEF)	300,403	-
	4,201,816	4,380,647
Deferred commitment fees	(5,649)	(8,094)
	4,196,167	4,372,553

Included in long-term loans is interest payable amounting to $15,453,000 (2016 - $20,441,000).

The amount due at 31 March 2017 includes $589,856,000 (2016 - $513,425,000) 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 loan owed to them by the Bank against receivable from related party in the amount of $555,425,000 to the Bank, leaving a balance of $58,689,000 which continues to accrue interest under the original terms of the loan. This loan is unsecured.

(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% (from July 2011- July 2013, this was reduced to 3%, however it was later returned to 5%.) 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 and is unsecured.

(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.

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21. Long-Term Loans (Continued)

(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 2017 loans to the value of $41,500,000 (2016 - $36,636,000) were drawn down. These loans have repayment dates ranging from December 2015 to March 2021. The Bank is an AFI of the DBJ and all loans to the Bank are unsecured.

(f) The Bank has entered into a loan agreement with the National Insurance Fund (NIF) 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 2017, the Bank had drawn J$19 million (2016 J$7.2 million). The loan from the NIF to the Bank is unsecured.

(a) The Bank has entered into a loan agreement with the Tourism Enhancement Fund (TEF) for on lending to Small and Medium Enterprise's organizations within the Tourism sector. This facility represents a Jamaica dollar pool of approximately J$1Billion. The loan is unsecured and ceiling per customer is J$25 million. As at 31 March 2017, the Bank had received J$300 million (2016 –nil).

22. Share Capital

	Number of Shares Issued and Fully Paid	Share Capital $'000
Authorised- 2,613,688 ordinary shares		
Balance as at 1 April 2015	601,824	601,824
Capital Injection during the year	1,065,000	1,065,000
Balance as at 31 March 2016	1,666,824	1,666,824
Capital Injection during the year	400,000	400,000
Balance as at 31 March 2017	2,066,824	2,066,824

The Ministry of Finance and Planning approved capital injection of $1,065,000,000 to the Bank during the financial year 2016. This required an increase in the Bank's share capital in order to accommodate this and future injections, resulting in the authorized ordinary shares being increased by 2,000,000 as at 1 February 2016.

During the financial year 2017, the Bank received a further $400,000,000, thus increasing the fully paid up shares by this amount. The new shares that have been issued have the same rights and terms as those previously issued.

23. Capital Reserve

	2017 $'000	2016 $'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

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23. Capital Reserve (Continued)

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% (2016 - 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.

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:

	2017 **$'000**	**2016** **$'000**
GOJ ,entities owned by the GOJ and affiliates-		
Notes and other receivables	16,494	20,285
Notes discounted	149,148	160,742
Medium-term loans receivable	8,649	16,510
Investments	10,884	10,866
Long-term loans	(4,196,168)	(4,372,553)

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27. Related Party Balances and Transactions (Continued)

Transactions with related parties were as follows:

	2017 $'000	2016 $'000
GOJ ,entities owned by the GOJ and affiliates-		
Interest income	2,455	2,480
Interest expense	(174,524)	(196,834)

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

	2017 $'000	2016 $'000
Salaries and wages	46,858	43,276
Directors' emoluments-		
Fees	902	1,159
Other remuneration	17,457	17,352

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. However, market prices are not available for a significant number of the assets and liabilities held and issued by the Bank. Therefore, 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 carrying amounts of liquid assets and other assets maturing within one year are assumed to approximate their fair values. 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 assets held as at 31 March that, subsequent to initial recognition, are measured at fair value. The assets 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).

	2017			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Quoted investments	-	-	415,801	415,801
Government of Jamaica	-	11,182	-	11,182
Investment property	-	-	185,000	185,000
	-	11,182	600,801	611,983

	2016			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Quoted investments	-	-	344,773	344,773
Government of Jamaica	-	9,696	-	9,696
Investment property	-	-	160,000	160,000
	-	9,696	504,773	514,469

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:

	2017 $'000	**2016 $'000**
At start of year	504,773	600,454
Gain on revaluation of investment property recognized in profit or loss	25,000	-
Foreign exchange gains recognized in arriving at net profit or loss	20,840	19,529
Fair value gains recognized in other comprehensive income	50,188	(115,210)
At end of year	600,801	504,773

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29. Commitments

(a) Loan commitments under the various loan programmes totalled $449,038,000 at 31 March 2017 (2016 - $1,780,939,000).

(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:

	2017	**2016**
	$'000	**$'000**
Within one year	24,091	21,360
After one year but not more than five years	104,760	92,275
More than five years	57,213	100,110
	186,064	213,745

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:

	2017	**2016**
	$'000	**$'000**
Within one year	10,478	16,632
After one year but not more than five years	-	17,962
	10,478	34,594

During the year ended 31 March 2017 $17,186,400 (2016 - $15,810,000) of lease payments was credited to net income.

CORPORATE DATA

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