



### Independent Auditor's Report

To the Members of First Global Bank Limited

#### Report on the Financial Statements

We have audited the accompanying financial statements of First Global Bank Limited, set out on pages 1 to 9, which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

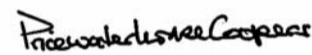
#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of First Global Bank Limited as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

#### Report on Other Legal and Regulatory Requirements

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

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



Chartered Accountants  
31 March 2015  
Kingston, Jamaica

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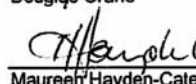
### STATEMENT OF FINANCIAL POSITION 31 December 2014


(expressed in Jamaican dollars unless otherwise indicated)


	Note	2014 \$'000	2013 \$'000	2012 \$'000
	34		Restated	Restated
<b>ASSETS</b>				
Cash and bank balances	5	5,036,517	3,434,875	3,626,449
Items in the course of collection from other banks		103,443	145,509	200,751
Securities purchased under resale agreements	6	57,221	212,347	548,483
Loans and advances, net of provision for credit losses	7	17,704,465	15,829,964	13,481,699
Investment securities	8	8,233,080	7,792,434	6,776,372
Pledged assets	8	9,452,340	5,333,349	4,614,386
Forward currency contracts	9	-	4,944	-
Property, plant and equipment	10	333,011	338,280	331,839
Intangible assets	11	493,582	359,761	207,172
Deferred income tax assets	12	265,174	370,813	437,069
Taxation recoverable		72,555	37,854	37,854
Other assets	13	520,231	211,367	221,279
Guarantees, letters of credit and letters of undertaking		45,315	51,639	457,505
<b>Total Assets</b>		<b>42,316,934</b>	<b>34,123,136</b>	<b>30,940,858</b>
<b>LIABILITIES</b>				
Customer deposits	14	25,064,436	21,509,107	18,525,156
Items in the course of payment		621,696	116,827	116,520
Due to other banks		112,732	30,796	8,790
Forward currency contracts	9	-	-	3,422
Securities sold under repurchase agreements		7,475,560	3,941,004	3,796,201
Short term loans	15	343,262	850,856	833,193
Other borrowed funds	16	1,172,408	1,480,799	1,345,683
Pension plan liability	17	-	-	138,635
Post-employment benefit obligations	17	179,885	190,223	155,666
Other liabilities	18	435,410	279,330	209,434
Guarantees, letters of credit and letters of undertaking		45,315	51,639	457,505
<b>Total Liabilities</b>		<b>35,450,704</b>	<b>28,450,581</b>	<b>25,590,205</b>
<b>EQUITY</b>				
Share capital	19	3,264,181	2,414,181	2,414,181
Statutory reserve fund	20	936,561	889,096	806,074
Fair value reserve	21	(3,127)	(209,543)	63,535
Loan loss reserve	22	481,602	516,708	392,424
Retained earnings reserve	23	1,594,630	1,194,630	1,194,630
Stock option reserve	24	6,904	6,904	6,523
Retained earnings		585,479	860,579	473,286
<b>Total Equity</b>		<b>6,866,230</b>	<b>5,672,555</b>	<b>5,350,653</b>
<b>Total Liabilities and Equity</b>		<b>42,316,934</b>	<b>34,123,136</b>	<b>30,940,858</b>

Approved for issue by the Board of Directors on 27 March 2015 and signed on its behalf by:

  
Douglas Oran Director

  
Maureen Hayden-Cater Director

  
Joseph Valle Director

  
Karen Chin Quee Akin Secretary

### STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	Restated 2013 \$'000
<b>Interest Income –</b>			
Loans		2,070,785	1,820,782
Securities	25	906,507	868,660
Other		62,032	13,777
		<u>3,039,324</u>	<u>2,703,219</u>
<b>Interest Expense –</b>			
Customer deposits		(521,266)	(443,855)
Securities sold under repurchase agreements		(258,747)	(156,549)
Other		(113,280)	(146,381)
		<u>(893,293)</u>	<u>(746,785)</u>
<b>Net Interest Income</b>		<b>2,146,031</b>	<b>1,956,434</b>
<b>Provision for Loan Losses, Net</b>	7	<b>(132,540)</b>	<b>(47,458)</b>
		<u>2,013,491</u>	<u>1,908,976</u>
<b>Other Income –</b>			
Fees and commissions	26	723,467	585,702
Gains on foreign exchange translation and trading		199,665	170,442
Gains on investment activities, net	27	25,110	142,364
Other		26,669	16,421
		<u>974,911</u>	<u>914,929</u>
<b>Net Interest and Other Income</b>		<b>2,988,402</b>	<b>2,823,905</b>
<b>Operating Expenses –</b>			
Staff costs	28	(1,156,715)	(996,602)
Amortisation and depreciation		(202,108)	(63,582)
Administration and other expenses	29	(1,310,644)	(1,047,763)
		<u>(2,669,467)</u>	<u>(2,107,947)</u>
<b>Profit before Taxation</b>		<b>318,935</b>	<b>715,958</b>
<b>Taxation</b>	30	<b>(2,502)</b>	<b>(157,608)</b>
<b>Net Profit</b>		<b>316,433</b>	<b>558,350</b>
<b>Other Comprehensive Income –</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Realised losses on available-for-sale investments, net of taxes		(72,488)	(91,400)
Unrealised gains/(losses) on available-for-sale investments, net of taxes		278,904	(181,678)
<b>Items that will not be reclassified to profit or loss:</b>			
Re-measurement of pension and post-employment benefit obligation, net of taxes		(68)	90,375
		<u>206,348</u>	<u>(182,703)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>522,781</b>	<b>375,647</b>

### STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$'000	Statutory Reserve Fund \$'000	Fair Value Reserve \$'000	Loan Loss Reserve \$'000	Retained Earnings Reserve \$'000	Stock Option Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2013, as previously stated (Note 34)	2,414,181	806,074	63,535	392,424	1,194,630	6,523	436,837	5,314,204
Restatement (Note 34)	-	-	-	-	-	-	36,449	36,449
Balance at 1 January 2013, as restated (Note 34)	2,414,181	806,074	63,535	392,424	1,194,630	6,523	473,286	5,350,653
Total comprehensive income, as restated (Note 34)	-	-	(273,078)	-	-	-	648,725	375,647
Total transactions with equity holders - Preference dividends paid	-	-	-	-	-	-	(54,126)	(54,126)
Employee share option scheme: value of services received	-	-	-	-	-	381	-	381
Transfer to loan loss reserve	-	-	-	124,284	-	-	(124,284)	-
Transfer to statutory reserve fund	-	83,022	-	-	-	-	(83,022)	-
Balance at 31 December 2013, as restated (Note 34)	2,414,181	889,096	(209,543)	516,708	1,194,630	6,904	860,579	5,672,555
Total comprehensive income	-	-	206,416	-	-	-	316,365	522,781
Total transactions with equity holders - Ordinary and Preference dividends paid	-	-	-	-	-	-	(179,106)	(179,106)
Transfer from loan loss reserve	-	-	-	(35,106)	-	-	35,106	-
Transfer to retained earnings reserve	-	-	-	-	400,000	-	(400,000)	-
Transfer to statutory reserve fund	-	47,465	-	-	-	-	(47,465)	-
Issue of Ordinary Shares (Note 19)	850,000	-	-	-	-	-	-	850,000
Balance at 31 December 2014	<u>3,264,181</u>	<u>936,561</u>	<u>(3,127)</u>	<u>481,602</u>	<u>1,594,630</u>	<u>6,904</u>	<u>585,479</u>	<u>6,866,230</u>

### STATEMENT OF CASH FLOWS

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
<b>Cash Flows from Operating Activities</b>			
Profit for the year		316,433	558,350
Adjustments to reconcile profit for the year to net cash used in operating activities –			
Depreciation	10	69,729	51,124
Amortisation	11	132,379	12,458
Foreign exchange losses/(gains)		236,307	(169,736)
(Gains)/losses on disposal of property, plant and equipment		(2,362)	23
Gain on investment activities	27	(25,110)	(142,364)
Employee stock option scheme		-	381
Provision for loan losses, net	7	132,540	47,458
Interest income		(3,039,324)	(2,703,219)
Interest expense		893,293	746,785
Taxation	30	2,502	157,608
		<u>(1,283,613)</u>	<u>(1,441,132)</u>
<b>Changes in other operating assets and liabilities –</b>			
Customer deposits		3,536,694	2,992,645
Loans		(1,896,223)	(2,394,221)
Securities sold under repurchase agreements		3,489,393	154,768
Forward contracts		4,944	(8,366)
Restricted cash and bank accounts		(304,905)	(272,880)
Post-employment benefits		(10,338)	31,485
Other assets		(308,862)	9,912
Other liabilities		156,080	69,896
		<u>3,383,170</u>	<u>(857,893)</u>
Interest received		2,895,719	2,699,413
Interest paid		(831,000)	(765,863)
Taxation paid, net		(34,701)	-
<b>Net cash provided by operating activities</b>		<b>5,413,188</b>	<b>1,075,657</b>



### STATEMENT OF CASH FLOWS (CONT'D)

Year ended 31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
<b>Cash Flows from Operating Activities</b>		<u>5,413,188</u>	<u>1,075,657</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of investment securities		(6,965,083)	(6,829,351)
Disposal of investment securities		2,520,799	4,764,858
Proceeds on disposal of property, plant and equipment		3,596	222
Acquisition of property, plant and equipment	10	(65,694)	(57,810)
Acquisition of intangible assets	11	(266,200)	(165,047)
Net cash used in investing activities		<u>(4,772,582)</u>	<u>(2,287,128)</u>
<b>Cash Flows from Financing Activities</b>			
Repayment of other borrowed funds		(779,362)	(366,588)
Proceeds from other borrowed funds		470,973	502,507
Repayment of short term loan		-	(514,942)
Issue of ordinary shares		850,000	-
Ordinary and preference dividends paid		(179,106)	(54,126)
Net cash provided by/(used in) financing activities		<u>362,505</u>	<u>(433,149)</u>
Net increase/(decrease) in cash and cash equivalents		1,003,111	(1,644,620)
Effect of foreign exchange rate changes on cash and cash equivalents		41,851	234,253
<b>Cash and Cash Equivalents at Beginning of Year</b>		<u>824,187</u>	<u>2,234,554</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>1,869,149</u>	<u>824,187</u>
<b>Comprising:</b>			
Cash and bank balances	5	2,442,913	1,146,176
Items in the course of collection from other banks		103,443	145,509
Securities purchased under resale agreements		57,221	212,347
Items in the course of payment		(621,696)	(116,827)
Short term loans	15	-	(532,222)
Due to Other Banks		(112,732)	(30,796)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>1,869,149</u>	<u>824,187</u>

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

#### 1. Identification and Activities

(a) First Global Bank Limited (the Bank) is a limited liability company incorporated and domiciled in Jamaica and is licensed under the Banking Act, 1992. The Bank is a subsidiary of First Global Holdings Limited and its ultimate parent company is GraceKennedy Limited. Both companies are incorporated and domiciled in Jamaica. The Bank's registered office is located at 28 - 48 Barbados Avenue, Kingston 5.

(b) The Bank's principal activities are the provision of commercial banking and related financial services.

#### 2. Significant Accounting Policies

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

##### (a) Basis of preparation

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

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 standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following:

**IAS 32, (Amendment) 'Financial Instruments: Presentation'** (effective for annual periods beginning on or after 1 January 2014). This amendment updates the application guidance in IAS 32, 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The standard did not have a significant impact on the Bank's financial statements.

**IFRIC 21, 'Levies'**, (effective for annual periods beginning on or after 1 January 2014) addresses the accounting for a liability to pay a levy recognised in accordance with IAS 37, 'Provisions', and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, 'Income taxes'. IFRIC 21 indicates that the obligating event that gives rise to a liability to pay a levy is the event identified by the legislation that triggers the obligation to pay the levy. It concludes that the fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. Accordingly, a liability to pay a levy is recognised when the obligating event occurs. This might arise at a point in time or progressively over time. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognised when the threshold is reached. The bank has applied the standard and recognised no liability at 31 December 2014 for Assets Tax due in March 2015. In addition, the balance sheet at 31 December 2013 has been restated since a liability had been recognised for the Assets Tax due in March 2014 and March 2013 respectively.

##### Standards, interpretations and amendments to published standards not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the Bank's accounting periods beginning after 1 January 2014 or later periods, but were not effective at the date of the statement of financial position, and which the Bank has not early adopted.

**IFRS 9, 'Financial Instruments'**, (effective for annual periods beginning on or after 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect its cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Bank is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect. The Bank expects the following impacts following adoption of the standard.

The Bank expects that, in many instances, the classification and measurement outcomes will be similar to IAS 39, although differences may arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39. Regarding credit loss provisioning, the Bank expects that, as a result of the recognition and measurement of impairment under IFRS 9 being more forward-looking than under IAS 39, the resulting impairment charge may tend to be more volatile. It may also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

#### 2. Significant Accounting Policies (Continued)

##### (a) Basis of preparation (continued)

**IAS 19 (Amendment) – 'Defined Benefit Plans: Employee Contributions'**, (effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Defined Benefit plan has been curtailed and as such this standard will have no future impact.

**Annual Improvements 2012**, (effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to a number of standards, the following of which may be relevant to the Bank's operations. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Bank will apply the standard effective 1 January 2015 but does not expect any significant impact from its adoption.

**Annual Improvements 2013**, (effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to a number of standards, of which the following may be relevant to the Bank's operations. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. The Bank will apply the standard effective 1 January 2015 but does not expect any significant impact from its adoption.

**Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation**, (effective for the periods beginning on or after 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Bank does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

**IFRS 15, 'Revenue from Contracts with Customers'**, (effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of future adoption of the new standard on its financial statements.

**Annual Improvements 2014**, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. The Bank is currently assessing the impact of future adoption of the amendments on its financial statements.

##### (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 arriving at net profit or loss.

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 arriving at net profit or loss and other changes are recognised in other comprehensive income.

##### (c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and non-restricted balances with Bank of Jamaica, items in the course of collection from other banks, items in the course of payment, short term loans and securities purchased under resale agreements.

##### (d) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as bonds, equities, interest rates, foreign exchange or other indices. These contracts are initially recognised at fair value on the date that they are entered into, and are subsequently re-measured at their fair value at the date of each statement of financial position. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Assets and liabilities are set off where the contracts are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis.

Changes in the fair value of derivatives are recognised in arriving at profit or loss. This includes contracts which, while providing effective economic hedges under the Bank's risk management positions, do not qualify for hedge accounting under the specific rules in International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement.

##### (e) Securities purchased/sold under resale/repurchase agreements

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

##### (f) Loans and provision for credit losses

Loans 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 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.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require that interest income on non-performing loans be accrued, to the extent collectible, and that the increase in the present value of impaired loans due to the passage of time be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or is forgiven. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan.

Recoveries in part or in full of amounts previously written-off are credited to provision for credit losses in arriving at net profit or loss.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

##### (g) Financial assets

###### Classification

The Bank classifies its financial assets in the financial assets at fair value through profit or loss, loans and receivables and available-for-sale 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.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables either meet the definition of loans and receivables at the date of acquisition, or at the date of reclassification from another category. The Bank reclassifies certain financial assets to loans and receivables when the markets for these securities are inactive. The Bank has elected to reclassify financial assets reclassified to loans and receivables back to the available-for-sale category once the markets for these securities become active again.

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



### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

#### 2. Significant Accounting Policies (Continued)

##### (g) Financial assets Classification (continued)

###### Recognition and measurement

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 – and are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments 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. Loans and receivables are carried at amortised cost using the effective interest method. Changes in the fair value of investments classified as available-for-sale are recognised in other comprehensive income.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in arriving at net profit or loss. Interest on available-for-sale securities calculated using the effective interest method is recognised in arriving at net profit or loss. Dividends on available-for-sale equity instruments are recognised in arriving at net profit or loss 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 (and for unlisted securities), 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.

###### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

###### Impairment

The Bank assesses at the date of each statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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 arriving at net profit or loss – is removed from other comprehensive income and recognised in arriving at net profit or loss. Impairment losses on equity instruments recognised in arriving at net profit or loss are not reversed.

Debt securities are considered impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event or events has an impact on the estimated future cash flows that can be reliably estimated. The amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. For debt securities carried at amortised cost, the asset's carrying amount is reduced and the amount of loss is recognised in arriving at net profit or loss. For debt securities classified as available-for-sale, 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 arriving at net profit or loss – is removed from equity and recognised in arriving at net profit or loss in the current year. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in arriving at net profit or loss for the current year.

##### (h) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation.

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

Leasehold improvements	5 – 10 years
Office equipment, furniture and fixtures	10 years
Computer equipment	3 years
Motor vehicles	5 years

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Repairs and maintenance expenses are charged in arriving at net profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the assessed standard of performance of the existing asset will flow to the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

##### (i) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

##### (j) Employee benefits

###### Pension obligations

The Bank participates in a defined benefit plan operated by the ultimate parent. The defined benefit 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.

In prior year, the ultimate parent company had a stated policy of charging the net defined benefit cost of the plan as a whole to individual participating subsidiaries. As a result, the Bank recognised a net asset or liability in respect of defined benefit pension plan on the statement of financial position. The net asset or liability is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of the allocated plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

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

Past-service costs were recognized immediately in profit or loss.

During the year the ultimate parent company assumed the defined benefit pension obligations of all companies within the GraceKennedy Group participating in this scheme. As a result the ultimate parent company recognises the total pension assets and obligations in respect of this plan. Under this arrangement, the obligation of the Bank is limited to the regular monthly pension contributions. Contributions are recognised by the period in which they are incurred.

The Bank also participates in a defined contribution plan operated by the ultimate parent. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits due.

###### Other post-employment benefit obligations

The entitlement to these benefits is usually based on the employee remaining in service up to post-employment 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period which they arise. These obligations are valued annually by independent qualified actuaries.

###### Equity compensation benefits

The ultimate parent company operates an equity-settled, share-based compensation plan, in which the Bank participates. Stock options in the ultimate parent company are granted to management and key employees of the Bank. The fair value of the employee's services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions. Options are granted at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of the grant and have a contractual option term of up to six years. When options are exercised, the proceeds received, net of any transaction costs are passed on to the ultimate parent company and credited to Stock Option Reserve.

###### Termination benefits

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

###### Incentive plans

The Bank recognises a liability and an expense for bonuses based on a formula that takes into consideration return on equity for the year after certain adjustments. The Bank recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### (k) 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 the date of the statement of financial position.

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

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

Current and deferred taxes are recognised as income tax expense or benefit in arriving at net profit or loss, except where they relate to items recorded in other comprehensive income, they are also charged or credited to other comprehensive income.

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

#### 2. Significant Accounting Policies (Continued)

##### (l) Borrowings

Borrowings are recognised initially as the proceeds 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 are recognised in arriving at net profit or loss over the period of the borrowings using the effective yield method.

##### (m) Guarantees, letters of credit and undertakings

These represent the Bank's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. Where the liabilities are not considered contingent, these amounts are reflected in the statement of financial position.

Where the Bank's liabilities are considered to be contingent, the amounts are disclosed in Note 32.

##### (n) Income and expense recognition

###### Interest income and expense

Interest income and expense are recognised in arriving at net profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discounts or premiums on treasury bills and other instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

###### Fee and commission income

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

###### Loyalty expense

The bank operates a rewards-based credit card program whereby customers earn reward points for purchases made using their credit card. The points can be redeemed for value at selected merchants who participate in the programme, once certain conditions are met. The bank recognises revenue in the period in which the points are earned and a provision for the value of outstanding points expected to be redeemed in the future.

#### 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 financial 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 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.

The Board of Directors is ultimately responsible for the establishment and oversight of the Bank's risk management framework. The following committees were established for managing and monitoring risks:

###### Asset and Liability Committee

The Asset and Liability Committee (ALCO) is a management committee responsible for monitoring and formulating investment portfolios and investment strategies for the Bank. ALCO is also responsible for monitoring adherence to trading limits. Other responsibilities of ALCO include:

- Monitoring management's adherence to policies and procedures that are established to ensure that the Bank has adequate liquidity at all times;
- Monitoring and measuring capital adequacy for regulatory and business requirements;
- Establishing asset and liability pricing policies to protect the liquidity structure as well as assess the probability of various liquidity shocks and interest rate scenarios;
- Monitoring the statement of financial position and ensuring business strategies are consistent with liquidity requirements;
- Establishing and monitoring relevant liquidity ratios and statement of financial position targets; and
- Ensuring full compliance with the Bank's Asset and Liability Manual as it relates to the management of liquidity risk, interest rate risk and foreign exchange risk.

The minutes of the ALCO meetings are submitted to the Board of Directors.

###### Audit Committee

The Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, reviews the adequacy of the risk management framework in relation to the risks faced by the Bank and monitors regulatory compliance. The Audit Committee is assisted in its oversight role by the Internal Audit department of the ultimate parent company. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

###### Credit Committee

The Credit Committee manages the Bank's credit portfolio. The Chairman and the members of the committee are charged with the responsibility to approve credit within their designated limits and make recommendations to the Board of Directors.

The most important types of risks are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

##### (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 the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in investment and lending activities.

For its investment activities, 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 to geographical and industry segments. For its lending activities, consideration is given to sectoral exposure, as well as to counterparty and group risk. Additionally, much emphasis is placed on determining the adequacy of cash flow being generated by the counterparty to meet repayment terms, the availability of tangible security that may be realised as a secondary source of payment in the event that cash flow is impaired, and the timeliness and quality of financial information available on/from the counterparty/customer to assist in predicting its future performance.

Credit-related commitment risks also arise from guarantees/bonds issued by the Bank which may require payment on behalf of customers. Such guarantees/bonds are issued after analysis of the customers making the request to ensure that they have a good record of performance in the activity for which the bond or guarantee is being sought, as well as the taking of security as a secondary source of recovery in case of need. Generally, guarantees/bonds expose the Bank to similar risks as loans, and these are mitigated by the same control policies and processes.

###### Credit review process

The Bank has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and principal repayment obligations.

###### Loans

The Bank assesses the probability of default of individual counterparties using internal ratings. The Bank's clients are segmented into three rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

The Bank's internal classification is as follows:

Rating	Description	
1	Low Risk	- excellent credit history
2	Standard Risk	- generally abides by credit terms
3	Sub Standard Risk	- late paying with some level of impairment

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

###### Investments

The Bank limits its exposure to credit risk by investing mainly in liquid investments, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

###### Collateral and other credit enhancements

The amount and type of the collateral required depends on the credit risk of the counterparty and the use of professionally derived, estimable realisable values of security, assuming forced sale conditions. Guidelines are implemented regarding the acceptability of different types of collateral, the lending margins against forced sale values which will be used and the quality of work and experience from the professionals from whom these valuations will be accepted.

The main types of collateral obtained are as follows:

- Loans – first demand mortgages over residential and commercial properties, first debenture charges over business assets such as premises, inventory and accounts receivable and charges and hypothecations over deposit balances and financial instruments such as debt securities and equities.
- Securities lending and reverse repurchase transactions – cash or securities.



### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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

##### (a) Credit risk (continued)

The Bank also obtains guarantees from parent companies for loans to their subsidiaries and from individual shareholders for loans to their companies.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held, during its annual review of the individual credit facilities, as well as during its review of the provision for credit losses.

The worst case scenario of credit risk exposure to the Bank, without taking account of any collateral held or credit enhancements, was as follows:

	2014 \$'000	2013 \$'000
Cash at bank	4,436,753	2,986,321
Items in the course of collection from other banks	103,443	145,509
Securities purchased under resale agreements	57,221	212,347
Loans	17,704,465	15,829,964
Investment securities and pledged assets	17,685,420	13,125,783
Forward currency contracts	-	4,944
Other assets	374,168	101,360
Guarantees, letters of credit and letters of undertaking	45,315	51,639
	<u>40,406,785</u>	<u>32,457,867</u>

Credit risk exposures relating to items not on the statement of financial position:

	2014 \$'000	2013 \$'000
Guarantees and letters of credit	693,963	562,574
Loan commitments	2,043,880	2,898,656
	<u>2,737,843</u>	<u>3,461,230</u>

##### Impairment

The main considerations for loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances are provided for financial assets that are above materiality thresholds, based on a review conducted at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the date of the statement of financial position on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Collectively assessed allowances are provided for portfolios of homogenous assets that are individually below materiality thresholds; and losses that have been incurred but have not yet been identified, by taking into consideration historical losses on the portfolio, current economic conditions and expected receipts and recoveries once impaired.

The Bank's internal rating systems focus more on credit quality mapping from the inception of lending activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the date of the statement of financial position, based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal and interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The impairment provision shown in the statement of financial position at year end is derived from each of the three internal rating grades. However, the majority of the impairment provision comes from the 'Sub Standard' rating class. The table below shows the Bank's loans and the associated impairment provision for each internal rating class:

	2014		2013	
	Loans \$'000	Impairment provision \$'000	Loans \$'000	Impairment provision \$'000
Low Risk	43,830	-	34,201	-
Standard Risk	16,656,633	-	15,422,259	-
Sub-Standard Risk	<u>1,225,683</u>	<u>221,681</u>	<u>528,391</u>	<u>154,887</u>
	<u>17,926,146</u>	<u>221,681</u>	<u>15,984,851</u>	<u>154,887</u>

The credit quality of loans is summarised as follows:

	2014		2013	
	\$'000	\$'000	\$'000	\$'000
Neither past due nor impaired –				
Low Risk	43,830	34,201		
Standard Risk	16,492,298	15,297,964		
Past due but not impaired	164,335	124,295		
Impaired	1,225,683	528,391		
	17,926,146	15,984,851		
Less: Provision for impairment	(221,681)	(154,887)		
	<u>17,704,465</u>	<u>15,829,964</u>		

The ageing analysis of past due but not impaired loans was as follows:

	2014		2013	
	\$'000	\$'000	\$'000	\$'000
Less than 30 days	27,347	66,355		
31 to 60 days	107,336	51,551		
61 to 90 days	29,652	6,389		
	<u>164,335</u>	<u>124,295</u>		

##### Concentration of credit risk

###### Loans

The majority of loans are extended to customers in Jamaica. The following table summarises the Bank's credit exposure for loans at their carrying amounts, as categorised by industry sector:

	Number of loan accounts		Credit exposure	
	2014	2013	2014 \$'000	2013 \$'000
Public sector	2	2	43,830	34,201
Financial institutions	19	10	142,197	95,931
Agriculture	13	10	325,063	251,960
Mining and quarrying	6	4	43,731	58,183
Manufacturing	62	44	1,184,586	982,850
Construction and land development	55	39	2,001,357	2,076,318
Transportation, storage and communication	93	85	2,375,769	2,313,787
Electricity, gas and water	8	7	248,141	683,689
Distribution	130	91	2,873,022	2,413,251
Tourism	11	8	332,782	312,401
Entertainment	15	12	8,363	2,478
Professional and other services	308	320	2,761,253	2,415,845
Individuals	14,658	11,748	5,364,371	4,189,074
	<u>15,380</u>	<u>12,380</u>	<u>17,704,465</u>	<u>15,829,964</u>

##### Investment securities and pledged assets

The following table summarises the credit exposure for debt securities at their carrying amounts as categorised by issuer:

	2014		2013	
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica	8,738,482	9,934,529		
Bank of Jamaica	3,461,193	436,229		
Corporate	5,015,583	1,857,911		
Issued by other governments	465,142	463,293		
Placements with other banks	-	428,801		
Securities purchased under resale agreements	57,221	212,347		
	<u>17,737,621</u>	<u>13,333,110</u>		

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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(expressed in Jamaican dollars unless otherwise indicated)

#### 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.

##### Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Treasury Department, includes:

- Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
- Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Maintaining committed lines of credit;
- Optimising cash returns on investments;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and
- Managing the concentration, profile and maturities of debt securities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Bank. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

##### Cash flows of financial instruments

The tables below present the undiscounted cash flows (both interest and principal cash flows) of the Bank's financial assets and liabilities based on contractual repayment obligations. The Bank expects that, based on estimates made by management as determined by retention history, many customers will not request repayment on the earliest date the Bank could be required to pay.

	2014					Total \$'000
	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No specific Maturity \$'000	
<b>Financial assets</b>						
Cash and bank balances	5,036,517	-	-	-	-	5,036,517
Items in the course of collection from other banks	103,443	-	-	-	-	103,443
Securities purchased under resale agreements	57,238	-	-	-	-	57,238
Loans	3,227,519	1,387,903	11,653,667	8,984,678	-	25,253,767
Investment securities and pledged assets	904,588	1,220,977	8,891,958	14,890,884	5,020	25,913,427
Other assets	374,168	-	-	-	-	374,168
Guarantees, letters of credit and letters of undertaking	40,740	4,575	-	-	-	45,315
<b>Total financial assets</b>	<b>9,744,213</b>	<b>2,613,455</b>	<b>20,545,625</b>	<b>23,875,562</b>	<b>5,020</b>	<b>56,783,875</b>
<b>Financial liabilities</b>						
Customer deposits	20,938,170	4,262,974	17,660	-	-	25,218,804
Items in the course of payment	621,696	-	-	-	-	621,696
Due to Other Banks	112,732	-	-	-	-	112,732
Securities sold under repurchase agreements	4,402,224	2,178,235	1,036,806	-	-	7,617,265
Short term loans	343,273	-	-	-	-	343,273
Other Borrowed Funds	90,915	228,051	975,808	24,191	-	1,318,965
Other liabilities	-	-	-	-	419,409	419,409
Guarantees, letters of credit and letters of undertaking	40,740	4,575	-	-	-	45,315
<b>Total financial liabilities</b>	<b>26,549,750</b>	<b>6,673,835</b>	<b>2,030,274</b>	<b>24,191</b>	<b>419,409</b>	<b>35,697,459</b>
<b>Total liquidity gap</b>	<b>(16,805,537)</b>	<b>(4,060,380)</b>	<b>18,515,351</b>	<b>23,851,371</b>	<b>(414,389)</b>	<b>21,086,416</b>
<b>Cumulative gap</b>	<b>(16,805,537)</b>	<b>(20,865,917)</b>	<b>(2,350,566)</b>	<b>21,500,805</b>	<b>21,086,416</b>	

	2013					Total \$'000
	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No specific Maturity \$'000	
<b>Financial assets</b>						
Cash and bank balances	3,434,875	-	-	-	-	3,434,875
Items in the course of collection from other banks	145,509	-	-	-	-	145,509
Securities purchased under resale agreements	212,396	-	-	-	-	212,396
Loans	2,801,419	499,973	8,017,626	11,467,997	-	22,787,015
Investment securities and pledged assets	728,287	521,236	1,937,411	19,277,595	5,020	22,469,549
Forward currency contracts	4,944	-	-	-	-	4,944
Other assets	101,360	-	-	-	-	101,360
Guarantees, letters of credit and letters of undertaking	46,337	5,302	-	-	-	51,639
<b>Total financial assets</b>	<b>7,475,127</b>	<b>1,026,511</b>	<b>9,955,037</b>	<b>30,745,592</b>	<b>5,020</b>	<b>49,207,287</b>
<b>Financial liabilities</b>						
Customer deposits	18,327,604	3,279,287	2,929	-	-	21,609,820
Items in the course of payment	116,827	-	-	-	-	116,827
Due to Other Banks	30,796	-	-	-	-	30,796
Securities sold under repurchase agreements	2,250,196	809,485	1,000,380	-	-	4,060,061
Short term loans	851,391	-	-	-	-	851,391
Other Borrowed Funds	123,884	360,542	1,144,198	64,855	-	1,693,479
Other liabilities	-	-	-	-	262,264	262,264
Guarantees, letters of credit and letters of undertaking	46,337	5,302	-	-	-	51,639
<b>Total financial liabilities</b>	<b>21,747,035</b>	<b>4,454,616</b>	<b>2,147,507</b>	<b>64,855</b>	<b>262,264</b>	<b>28,676,277</b>
<b>Total liquidity gap</b>	<b>(14,271,908)</b>	<b>(3,428,105)</b>	<b>7,807,530</b>	<b>30,680,737</b>	<b>(257,244)</b>	<b>20,531,010</b>
<b>Cumulative gap</b>	<b>(14,271,908)</b>	<b>(17,700,013)</b>	<b>(9,892,483)</b>	<b>20,788,254</b>	<b>20,531,010</b>	

The Bank is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from its ultimate parent company and other financing institutions.

##### (c) Market risk

The Bank takes on exposure to market risk, 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. Market risk is monitored by the Risk and Compliance department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis. There has been no change to the Bank's exposure to market risk or the manner in which it manages and measures the risk.

##### Currency risk

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

The Bank manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept at an acceptable level by monitoring currency positions. The Bank further manages this risk by maximising foreign currency earnings, holding foreign currency balances and by entering into foreign currency forward contracts. The net currency exposure of financial assets and liabilities at 31 December was as follows:

	2014					Total \$'000
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	Euro J\$'000	
<b>Financial assets</b>						
Cash and bank balances	1,987,004	1,717,164	460,244	152,564	719,541	5,036,517
Items in the course of collection from other banks	63,207	40,040	-	196	-	103,443
Securities purchased under resale agreements	-	57,221	-	-	-	57,221
Loans	13,637,160	4,067,075	230	-	-	17,704,465
Investment securities and pledged assets	5,613,492	12,071,928	-	-	-	17,685,420
Other assets	51,297	322,871	-	-	-	374,168
Guarantees, letters of credit and letters of undertaking	40,740	4,575	-	-	-	45,315
<b>Total financial assets</b>	<b>21,392,900</b>	<b>18,280,874</b>	<b>460,474</b>	<b>152,760</b>	<b>719,541</b>	<b>41,006,549</b>
<b>Financial liabilities</b>						
Customer deposits	10,710,494	13,178,672	334,560	123,137	717,573	25,064,436
Items in the course of payment	621,696	-	-	-	-	621,696
Due to other banks	-	112,732	-	-	-	112,732
Securities sold under repurchase agreements	2,817,989	4,657,571	-	-	-	7,475,560
Short term loans	-	343,262	-	-	-	343,262
Other borrowed funds	1,064,679	107,729	-	-		



### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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

##### (c) Market risk (continued)

###### Currency risk (continued)

	2013					Total J\$'000
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	Euro J\$'000	
<b>Financial assets</b>						
Cash and bank balances	1,280,358	1,365,013	196,753	135,895	456,856	3,434,875
Items in the course of collection from other banks	23,184	122,191	134	-	-	145,509
Securities purchased under resale agreements	-	212,347	-	-	-	212,347
Loans	11,781,727	4,048,230	7	-	-	15,829,964
Investment securities and pledged assets	3,901,046	9,224,737	-	-	-	13,125,783
Derivative financial instruments	-	-	5,443	(499)	-	4,944
Other assets	11,856	88,868	-	636	-	101,360
Guarantees, letters of credit and letters of undertaking	46,337	5,302	-	-	-	51,639
<b>Total financial assets</b>	<b>17,044,508</b>	<b>15,066,688</b>	<b>202,337</b>	<b>136,032</b>	<b>456,856</b>	<b>32,908,421</b>
<b>Financial liabilities</b>						
Customer deposits	8,619,116	11,971,297	317,226	147,566	453,900	21,509,107
Items in the course of payment	68,809	45,165	238	2,448	167	116,827
Due to other banks	-	30,796	-	-	-	30,796
Securities sold under repurchase agreements	2,104,778	1,836,225	-	-	-	3,941,003
Short term loans	55,010	795,846	-	-	-	850,856
Other borrowed funds	1,192,799	288,000	-	-	-	1,480,799
Other liabilities	225,686	36,555	-	-	23	262,264
Guarantees, letters of credit and letters of undertaking	46,337	5,302	-	-	-	51,639
<b>Total financial liabilities</b>	<b>12,312,535</b>	<b>15,009,186</b>	<b>317,464</b>	<b>150,016</b>	<b>454,090</b>	<b>28,243,291</b>
<b>Net financial position</b>	<b>4,731,973</b>	<b>57,502</b>	<b>(115,127)</b>	<b>(13,984)</b>	<b>2,766</b>	<b>4,663,130</b>

###### 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.

Currency:	2014		2013	
	Change in Currency Rate %	Effect on Income \$'000	Change in Currency Rate %	Effect on Income \$'000
US\$	10	(14,078)	15	5,750
GBP	10	455	15	(11,513)
CAN\$	10	414	15	(1,398)
EURO	10	129	15	277
US\$	-1	1,408	-1	(383)
GBP	-1	(46)	-1	768
CAN\$	-1	(41)	-1	93
EURO	-1	(13)	-1	(18)

###### Interest rate risk

Interest rate risk is the risk that the value or 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. Floating rate instruments expose the Bank to cash flow interest risk, whereas fixed interest rate instruments expose the Bank to fair value interest risk.

The Bank's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and liabilities. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken. These limits are monitored by the ALCO.

The following tables summarise the Bank's exposure to interest rate risk. They include the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The tables represent those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis.

	2014				Total \$'000
	Within 3 months \$'000	3 to 12 months \$'000	Over 12 months \$'000	Non rate sensitive \$'000	
<b>Financial assets</b>					
Cash and bank balances	1,839,631	-	-	3,196,886	5,036,517
Items in the course of collection from other banks	-	-	-	103,443	103,443
Securities purchased under resale agreements	57,221	-	-	-	57,221
Loans	3,155,045	1,292,739	13,256,681	-	17,704,465
Investment securities and pledged assets	902,083	1,141,561	15,636,756	5,020	17,685,420
Other assets	-	-	-	374,168	374,168
Guarantees, letters of credit and letters of undertaking	-	-	-	45,315	45,315
<b>Total financial assets</b>	<b>5,953,980</b>	<b>2,434,300</b>	<b>28,893,437</b>	<b>3,724,832</b>	<b>41,006,549</b>
<b>Financial liabilities</b>					
Customer deposits	20,891,021	4,157,942	15,473	-	25,064,436
Items in the course of payment	-	-	-	621,696	621,696
Due to Other Banks	112,732	-	-	-	112,732
Securities sold under repurchase agreements	4,376,731	2,121,584	977,245	-	7,475,560
Short term loans	343,262	-	-	-	343,262
Other Borrowed Funds	75,362	189,047	907,979	-	1,172,408
Other liabilities	-	-	-	419,409	419,409
Guarantees, letters of credit and letters of undertaking	-	-	-	45,315	45,315
<b>Total financial liabilities</b>	<b>25,799,128</b>	<b>6,488,573</b>	<b>1,900,897</b>	<b>1,086,420</b>	<b>35,254,818</b>
<b>Total interest repricing gap</b>	<b>(19,845,148)</b>	<b>(4,034,273)</b>	<b>26,992,740</b>	<b>2,638,412</b>	<b>5,751,731</b>
<b>Cumulative gap</b>	<b>(19,845,148)</b>	<b>(23,879,421)</b>	<b>3,113,319</b>	<b>5,751,731</b>	

	2013				Total \$'000
	Within 3 months \$'000	3 to 12 months \$'000	Over 12 months \$'000	Non rate sensitive \$'000	
<b>Financial assets</b>					
Cash and bank balances	1,306,462	-	-	2,128,413	3,434,875
Items in the course of collection from other banks	-	-	-	145,509	145,509
Securities purchased under resale agreements	212,347	-	-	-	212,347
Loans	2,800,966	463,434	12,565,564	-	15,829,964
Investment securities and pledged assets	939,319	498,471	11,682,973	5,020	13,125,783
Derivative financial instruments	-	-	-	4,944	4,944
Other assets	-	-	-	101,360	101,360
Guarantees, letters of credit and letters of undertaking	-	-	-	51,639	51,639
<b>Total financial assets</b>	<b>5,259,094</b>	<b>961,905</b>	<b>24,248,537</b>	<b>2,436,885</b>	<b>32,908,421</b>
<b>Financial liabilities</b>					
Customer deposits	18,296,721	3,210,243	2,143	-	21,509,107
Items in the course of payment	-	-	-	116,827	116,827
Due to Other Banks	30,796	-	-	-	30,796
Securities sold under repurchase agreements	2,245,706	787,069	908,228	-	3,941,003
Short term loans	850,856	-	-	-	850,856
Other Borrowed Funds	100,616	294,640	1,085,543	-	1,480,799
Other liabilities	-	-	-	262,264	262,264
Guarantees, letters of credit and letters of undertaking	-	-	-	51,639	51,639
<b>Total financial liabilities</b>	<b>21,524,695</b>	<b>4,291,952</b>	<b>1,995,9145</b>	<b>430,730</b>	<b>28,243,292</b>
<b>Total interest repricing gap</b>	<b>(16,265,601)</b>	<b>(3,330,047)</b>	<b>22,252,622</b>	<b>2,006,155</b>	<b>4,663,129</b>
<b>Cumulative gap</b>	<b>(16,265,601)</b>	<b>(19,595,648)</b>	<b>2,856,974</b>	<b>4,663,130</b>	

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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

##### (c) Market risk (continued)

###### Interest rate risk (continued)

The table below summarises the weighted average effective yields of interest rate-sensitive financial instruments by currency:

	2014				
	Jamaican\$ %	US\$ %	GBP %	CAN\$ %	Euro %
Cash and bank balances	3.56	0.02	-	0.49	-
Securities purchased under resale agreements	-	1.85	-	-	-
Loans	15.20	9.66	-	-	-
Investment securities	7.53	7.33	-	-	-
Customer deposits	3.56	1.40	0.84	0.35	0.00
Securities sold under repurchase agreements	7.32	3.31	-	-	-
Short term loans	-	4.80	-	-	-
Other Borrowed Funds	6.69	4.67	-	-	-

	2013				
	Jamaican\$ %	US\$ %	GBP %	CAN\$ %	Euro %
Cash and bank balances	4.00	0.01	0.05	0.35	-
Securities purchased under resale agreements	-	2.80	-	-	-
Loans	12.30	8.66	-	-	-
Investment securities	7.44	7.34	-	-	-
Customer deposits	2.91	1.77	1.50	0.45	0.07
Securities sold under repurchase agreements	7.95	3.93	-	-	-
Short term loans	6.90	2.97	-	-	-
Other Borrowed Funds	6.93	5.40	-	-	-

###### Interest rate sensitivity

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

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

	2014			2013		
	Change in basis points JMD/USD	Net Effect on Income \$'000	Net Effect on Equity \$'000	Change in basis points JMD/USD	Net Effect on Income \$'000	Net Effect on Equity \$'000
	-100 / -50	15,157	189,165	-100 / -50	(11,920)	174,570
	+250 / +200	(103,816)	(749,126)	+250 / +200	(18,082)	(698,885)

##### (d) Capital management

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

- To comply with the capital requirements set by the regulators of the markets within which the Bank operates;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by management and bi-monthly by the Board. The required information is filed with the Bank of Jamaica on a quarterly basis.

The Bank of Jamaica requires the Bank to:

- Hold the minimum level of the regulatory capital as a percentage of total assets of 8% (2013 - 8%); and
- Maintain a ratio of total regulatory capital to the risk-weighted assets at or above 10% (2013 - 10%).

The Bank's regulatory capital is managed by the ALCO and is divided into two tiers:

- Tier 1 capital: share capital, statutory reserve fund, retained earnings reserve fund, accumulated losses and net loss positions arising from fair value accounting; and
- Tier 2 capital: general provisions for loan losses on assets limited to 1.25% of risk-weighted assets.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of, and reflecting an estimate, of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Bank complied with all of the externally imposed capital requirements to which it is subject with the exception of Section 13 limits of the Banking Act. There was a breach of the limitation for one borrower where there were two customers with unsecured portion of credits in excess of 5% of the capital base.

##### (e) Fair value estimation

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.

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2014</b>				
Available-for-sale investment securities - Issued by the Government of Jamaica	-	8,628,275	-	8,628,275
Issued by other Government	-	481,725	-	481,725
Corporate bonds	-	5,015,583	-	5,015,583
Certificates of deposit	-	3,461,193	-	3,461,193

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2013</b>				
Available-for-sale investment securities - Issued by the Government of Jamaica	-	9,837,958	-	9,837,958
Issued by other Government	-	483,293	-	483,293
Corporate bonds	-	1,857,911	-	1,857,911
Placement with other banks	-	428,821	-	428,821
Certificates of deposit	-	436,229	-	436,229

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2014</b>				
Financial assets at fair value through profit or loss - Put option issued by the Government of Jamaica	-	93,624	-	93,624
	-	17,680,400	-	17,680,400

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2013</b>				
Financial assets at fair value through profit or loss - Put option issued by the Government of Jamaica	-	96,571	-	96,571
Forward currency contracts	-	4,994	-	4,994
	-	13,125,777	-	13,125,777

There were no transfers between levels during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are included in Level 1. The Bank did not hold any of these instruments at the date of the statement of financial position.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. This category includes certificates of deposit and bonds issued by the Government of Jamaica, indicative prices of which are obtained from regular, publicly available quotes by reputable dealers and brokers.



### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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

##### (e) Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This category includes certain corporate debt securities, the fair values of which are determined based on the prices of recent redemptions of the bonds.

The following methods and assumptions have been used in determining the fair values of financial instruments that are not remeasured at fair value after initial recognition:

- Quoted market prices or dealer quotes for similar instruments. If quoted prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques, such as discounted cash flow analysis.
- The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- The fair value of variable rate financial instruments issued at market terms is assumed to approximate their carrying amounts.
- The carrying values of non-current borrowings from non-related parties approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

##### (f) Financial Instruments by category

	Loans and receivables \$'000	Assets at fair value through profit and loss \$'000	Available for sale \$'000	Total \$'000
<b>As at 31 December 2014:</b>				
Cash and bank balances	5,036,517	-	-	5,036,517
Items in the course of collection from other banks	103,443	-	-	103,443
Securities purchased under resale agreements	57,221	-	-	57,221
Loans	17,704,465	-	-	17,704,465
Investment securities and pledged assets	-	93,623	17,591,797	17,685,420
Other assets	374,168	-	-	374,168
Guarantees, letters of credit and letters of undertaking	45,315	-	-	45,315
<b>Total financial assets</b>	<b>23,321,129</b>	<b>93,623</b>	<b>17,591,797</b>	<b>41,006,549</b>
<b>As at 31 December 2013:</b>				
Cash and bank balances	3,434,875	-	-	3,434,875
Items in the course of collection from other banks	145,509	-	-	145,509
Securities purchased under resale agreements	212,347	-	-	212,347
Loans	15,829,964	-	-	15,829,964
Investment securities and pledged assets	-	96,571	13,029,212	13,125,783
Forward currency contracts	-	4,944	-	4,944
Other assets	101,360	-	-	101,360
Guarantees, letters of credit and letters of undertaking	51,639	-	-	51,639
<b>Total financial assets</b>	<b>19,775,694</b>	<b>101,515</b>	<b>13,029,212</b>	<b>32,906,421</b>

	Other financial liabilities at amortised cost \$'000	Total \$'000
<b>As at 31 December 2014:</b>		
Customer deposits	25,064,436	25,064,436
Items in the course of payment	621,696	621,696
Due to Other Banks	112,732	112,732
Securities sold under repurchase agreements	7,475,560	7,475,560
Loans	1,515,670	1,515,670
Other liabilities	419,409	419,409
Guarantees, letters of credit and letters of undertaking	45,315	45,315
<b>Total financial liabilities</b>	<b>35,254,818</b>	<b>35,254,818</b>
<b>As at 31 December 2013:</b>		
Customer deposits	21,509,107	21,509,107
Items in the course of payment	116,827	116,827
Due to other banks	30,796	30,796
Securities sold under repurchase agreements	3,941,004	3,941,004
Loans	2,331,655	2,331,655
Other liabilities	262,264	262,264
Guarantees, letters of credit and letters of undertaking	51,639	51,639
<b>Total financial liabilities</b>	<b>28,243,292</b>	<b>28,243,292</b>

##### (g) Offsetting of financial instruments

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	2014						
	Gross amounts of financial assets \$'000	Gross amounts set off on the balance sheet \$'000	Net amounts of financial assets presented on the balance sheet \$'000	Impact of master netting agreements \$'000	Cash collateral \$'000	Financial instruments collateral \$'000	Net Amount \$'000
<b>ASSETS</b>							
Cash and balances due from other financial institutions	2,442,913	-	2,442,913	112,732	-	-	2,330,181
Cash reserves at Bank of Jamaica and other restricted cash accounts	2,593,604	-	2,593,604	-	2,593,604	-	-
Financial assets at fair value through profit or loss	93,624	-	93,624	-	-	-	93,624
Securities purchased under agreements to resell	57,221	-	57,221	-	-	57,221	-
Investment securities	8,139,456	-	8,139,456	-	-	-	8,139,456
Loans, net of provision for credit losses	17,704,465	-	17,704,465	-	-	-	17,704,465
Pledged assets	9,452,340	-	9,452,340	-	-	9,452,340	-
Other assets	374,168	-	374,168	-	-	-	374,168
	<b>40,857,791</b>	<b>-</b>	<b>40,857,791</b>	<b>112,732</b>	<b>2,593,604</b>	<b>9,509,561</b>	<b>28,641,894</b>

	2013						
	Gross amounts of financial assets \$'000	Gross amounts set off on the balance sheet \$'000	Net amounts of financial assets presented on the balance sheet \$'000	Impact of master netting agreements \$'000	Cash collateral \$'000	Financial instruments collateral \$'000	Net Amount \$'000
<b>ASSETS</b>							
Cash and balances due from other financial institutions	1,146,176	-	1,146,176	30,796	-	-	1,115,380
Cash reserves at Bank of Jamaica and other restricted cash accounts	2,288,699	-	2,288,699	-	2,288,699	-	-
Financial assets at fair value through profit or loss	96,571	-	96,571	-	-	-	96,571
Securities purchased under agreements to resell	57,221	-	57,221	-	-	57,221	-
Forward currency contracts	5,443	499	4,944	-	-	-	4,944
Investment securities	7,695,863	-	7,695,863	-	-	-	7,695,863
Loans, net of provision for credit losses	15,829,964	-	15,829,964	-	-	-	15,829,964
Pledged assets	5,333,349	-	5,333,349	-	-	5,333,349	-
Other assets	101,360	-	101,360	-	-	-	101,360
	<b>32,554,646</b>	<b>499</b>	<b>32,554,147</b>	<b>30,796</b>	<b>2,288,699</b>	<b>5,390,570</b>	<b>24,844,082</b>

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

#### 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.

##### Impairment losses on loans

The Bank reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in arriving at net profit or loss, 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 in a group, or national or local economic conditions that correlate with defaults on assets in the group. 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.

##### Pension and other 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 or income for pension and other 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 medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost or income recorded for pension and other post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Bank determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and other 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 respective economy. Other key assumptions for the pension and other post-employment benefits costs and credits are based in part on current market conditions.

##### Fair value of financial instruments

In the absence of quoted market prices, the fair value of a significant proportion of the Bank's financial instruments was determined using generally accepted alternative methods. The values derived from applying these methods are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instruments in an arm's length transaction.

##### Income taxes

Significant judgement is required in determining the provision for income taxes. The Bank recognises liabilities for anticipated tax audit 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 income tax and deferred tax provisions in the period in which such determination is made. The Bank also recognises deferred tax assets on tax losses carried forward as it anticipates making future taxable income to offset these losses.

#### 5. Cash and Bank Balances

	2014 \$'000	2013 \$'000
Notes and coins	599,764	448,554
Accounts with foreign banks	1,353,346	693,076
Balances with the Bank of Jamaica, other than statutory reserves	489,803	4,546
Included in cash and cash equivalents	2,442,913	1,146,176
Statutory reserves with the Bank of Jamaica	2,447,911	2,197,310
Cash held as collateral and other restricted cash accounts	145,693	91,389
	<b>5,036,517</b>	<b>3,434,875</b>

Statutory reserves with the Bank of Jamaica are held in compliance with Section 14(1) of the Banking Act, which requires that every licensee maintains a cash reserve with the Bank of Jamaica of not less than 5% (2013 - 5%) of its prescribed liabilities. The reserve for Jamaican dollar prescribed liabilities is held on a non-interest-earning basis. No portion of the cash reserve is available for investment, lending or other use by the Bank. The actual required ratio at year end was 12% (2013 - 12%) for Jamaican dollar cash reserves and 9% (2013 - 9%) for foreign currency cash reserves.

#### 6. Securities Purchased under Resale Agreements

The Bank enters into reverse repurchase agreements collateralised by Government of Jamaica securities and Bank of Jamaica certificates of deposit. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The balance in the statement of financial position includes interest receivable of \$28,000 (2013 - \$130,000).

#### 7. Loans

	2014 \$'000	2013 \$'000
Total loans	17,721,780	15,891,835
Less provision for credit losses	(221,681)	(154,887)
	17,500,099	15,736,948
Interest receivable	204,366	93,016
	<b>17,704,465</b>	<b>15,829,964</b>

The current portion of loans amounted to \$4,447,784,000 (2013 - \$3,264,399,000).

The movement in the provision for credit losses determined under the requirements of IFRS was as follows:

	2014 \$'000	2013 \$'000
Balance at beginning of year	154,887	144,774
Provided during the year	159,444	61,618
Recoveries	(26,904)	(14,160)
Net amount charged in arriving at net profit or loss	132,540	47,458
Net loan balances written-off during the year	(65,746)	(37,345)
Balance at end of year	<b>221,681</b>	<b>154,887</b>

The aggregate amount of non-performing loans on which interest was not being accrued amounted to \$1,225,683,000 (2013 - \$528,391,000).

The provision for credit losses determined under Bank of Jamaica regulatory requirements was as follows:

	2014 \$'000	2013 \$'000
Specific provisions	537,597	517,536
General provision	165,686	154,059
	<b>703,283</b>	<b>671,595</b>

The excess of the regulatory provision over the IFRS provision of \$481,602,000 (2013 - \$516,708,000) is included in a non-distributable loan loss reserve and treated as an appropriation of retained earnings (Note 22).

#### 8. Investment Securities and Pledged Assets

	2014 \$'000	2013 \$'000
Available-for-sale securities, at fair value:		
Issued by the Government of Jamaica -		
Global bonds	2,200,687	3,230,836
Benchmark investment notes	3,310,043	3,308,563
Benchmark USD investment notes	2,961,503	3,108,558
	8,472,233	9,647,957
Bank of Jamaica	3,428,874	430,155
Issued by other government	464,995	447,784
Placements with other banks	-	424,188
Corporate bonds	4,937,130	1,822,919
	17,303,232	12,773,003
Financial assets at fair value through profit or loss:		
Embedded put option issued by Government of Jamaica	93,624	96,571
Available-for-sale securities, at cost less impairment:		
Unquoted equities	5,020	5,020
	17,401,876	12,874,594
Interest receivable	283,544	251,189
	17,685,420	13,125,783
Less: Pledged assets	(9,452,340)	(5,333,349)
	<b>8,233,080</b>	<b>7,792,434</b>

The current portion of investment securities amounted to \$2,043,644,000 (2013 - \$1,437,790,000).



### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014  
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#### 8. Investment Securities and Pledged Assets (continued)

##### Embedded put option

The Bank holds certain Government of Jamaica debt securities which were issued in February 2013 and mature in February 2024. The terms of these securities contain an investor put option exercisable in February 2018 under which the holder may require the Government of Jamaica to redeem the securities at 100% of the principal value plus any accrued interest. The initial recognition of the option is included in the determination of the "Loss on debt exchange transactions" and gains and losses on subsequent revaluations of the option are reflected in "Gain/(loss) on investment activities".

#### 9. Forward Currency Contracts

Foreign currency forward contracts outstanding at year end, which are to be settled in United States dollars, were nil and in prior year as follows:

As at 31 December 2013

Settlement dates	Obligation	Notional amounts '000	Fair values \$'000
31 July 2013 – 28 February 2014	Buy	GBP 750	5,443
10 September 2013 – 24 February 2014	Buy	CAN 200	(499)
			4,944

Fair values were determined based on the difference between the agreed settlement rates and the spot rates at the date of the statement of financial position.

Gains and losses on foreign currency forward contracts are recognised in gains on foreign exchange translation and trading in the statement of comprehensive income.

#### 10. Property, Plant and Equipment

	Leasehold Improvements \$'000	Computer Equipment \$'000	Equipment, Furniture and Fixtures \$'000	Motor Vehicles \$'000	Work-in-progress \$'000	Total \$'000
<b>Cost -</b>						
1 January 2013	221,020	128,698	195,575	23,553	97,224	666,070
Additions	6,790	24,338	12,619	7,995	6,068	57,810
Transfers	(1,256)	-	-	-	1,256	-
Disposals	-	-	(28,433)	-	-	(28,433)
31 December 2013	226,554	153,036	179,761	31,548	104,548	695,447
Additions	5,264	51,767	26,903	-	59,130	143,064
Transfers (Note a)	6,851	4,784	13,175	-	(102,180)	(77,370)
Disposals	-	-	-	(9,489)	-	(9,489)
31 December 2014	238,669	209,587	219,839	22,059	61,498	751,652
<b>Depreciation -</b>						
1 January 2013	98,861	121,025	93,232	21,113	-	334,231
Charge for year	18,633	12,931	16,741	2,819	-	51,124
Disposals	-	-	(28,188)	-	-	(28,188)
31 December 2013	117,494	133,956	81,785	23,932	-	357,167
Charge for year	18,016	29,850	20,264	1,599	-	69,729
Disposals	-	-	-	(8,255)	-	(8,255)
31 December 2014	135,510	163,806	102,049	17,276	-	418,641
<b>Net Book Value -</b>						
31 December 2014	103,159	45,781	117,790	4,783	61,498	333,011
31 December 2013	109,060	19,080	97,976	7,616	104,548	338,280

a) This represents transfers to intangible assets during the year.

#### 11. Intangible Assets

	Total \$'000
<b>Cost -</b>	
1 January 2013	454,286
Additions	165,047
31 December 2013	619,333
Additions	266,200
31 December 2014	885,533
<b>Amortisation -</b>	
1 January 2013	247,114
Amortisation charge for the year	12,458
31 December 2013	259,572
Amortisation charge for year	132,379
31 December 2014	391,951
<b>Net Book Value -</b>	
31 December 2014	493,582
31 December 2013	359,761

Included in the balance at 31 December 2014 is software with a value of \$31,400,000 (2013 - \$354,682,000) which is in development. These amounts are not yet available for use and have not been amortised.

#### 12. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33%. The movement in the deferred income tax balance was as follows:

	2014 \$'000	2013 \$'000
At beginning of year, as restated	370,813	437,069
Deferred tax credited in arriving at net profit or loss (Note 30)	(2,502)	(157,608)
Deferred tax (credited)/charged to other comprehensive income (Note 30)	(103,137)	91,352
At end of year	265,174	370,813

Deferred tax recognised in the statement of financial position was attributable to the following temporary differences:

	2014 \$'000	2013 \$'000
Tax losses carried forward	285,323	285,208
Post-employment benefits	59,885	63,408
Differences between IFRS and BOJ specific provisions for loan losses	(105,295)	(120,883)
Accelerated tax depreciation	17,436	25,129
Fair value of investment securities	1,564	104,771
Other	6,261	13,180
	265,174	370,813

Deferred tax assets include \$25,191,000 (2013 - \$152,528,000) which is expected to be recovered within 12 months.

Deferred tax assets have been recognised on tax losses carried forward as the Bank is projected to make sufficient profits to utilise these tax losses. Subject to agreement with Tax Administration Jamaica, losses available for offset against future profits amount to \$856,056,000 (2013 - \$855,623,000).

The deferred tax credited in arriving at net profit or loss is attributable to the following temporary differences:

	2014 \$'000	2013 \$'000
Tax losses carried forward	115	(139,348)
Post-employment benefits	(3,523)	10,494
Differences between IFRS and BOJ specific provisions for loan losses	15,588	(33,254)
Accelerated tax depreciation	(7,693)	(1,791)
Other	(6,989)	6,291
	(2,502)	(157,608)

The deferred tax (credited)/charged to other comprehensive income is attributable to the following temporary differences:

	2014 \$'000	2013 \$'000
Realised gains/(losses) on available-for-sale investments	36,244	(82,338)
Unrealised (losses)/gains on available-for-sale investments	(139,451)	218,878
Realised gains/(losses) on pension re-measurement	70	(45,188)
	(103,137)	91,352

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

#### 13. Other Assets

	2014 \$'000	2013 \$'000
Withholding tax recoverable	89,170	63,993
Due from fellow subsidiaries	2,402	3,382
Prepayments and deposits	60,745	50,364
Settlement recoverable	158,286	-
Other	209,628	93,628
	520,231	211,367

Total balance falls due within 12 months of the year end.

##### Settlement recoverable

This amount represents foreign currency spot transactions as at the year end which was subsequently settled after the year end.

#### 14. Customer Deposits

The customer deposit portfolio was comprised as follows:

	Number of deposits		Value of deposits	
	2014	2013	2014 \$'000	2013 \$'000
Financial institutions	229	161	2,771,093	2,167,235
Commercial and business enterprises	3,949	3,173	13,812,820	10,160,948
Personal	17,366	15,688	8,118,658	8,814,540
Other	345	286	260,280	283,434
	21,889	19,308	24,962,851	21,426,157
Interest payable			101,585	82,950
			25,064,436	21,509,107

The non-current portion of customer deposits amounted to \$ 15,473,000 (2013 - \$2,143,000).

#### 15. Short Term Loans

	2014 \$'000	2013 \$'000
Loans with original maturities of 90 days or less -		
a) National Commercial Bank Jamaica Limited	-	55,000
b) Citibank NA	-	477,212
Interest payable	-	532,212
Included in cash and cash equivalents	-	10
	-	532,222
Loan with original maturity of 120 days -		
b) Citibank NA	343,170	318,141
Interest payable	92	493
	343,262	318,634
	343,262	850,856

a) The short term loan facility from National Commercial Bank Jamaica Limited was granted in Jamaican Dollars. This loan facility matured during January 2014 and had a rate of 6.9%. This loan is unsecured.

b) The loans from Citibank NA are granted in United States dollars. The expiry dates of the loan facilities range from March 2014 to July 2015 with rates of 4.64 % to 5%. This loan is unsecured.

#### 16. Other Borrowed Funds

These loans are primarily for the purpose of on-lending to customers who meet certain requirements of these banks and are to be used for eligible enterprises and projects. The balance at year end was comprised as follows:

	2014 \$'000	2013 \$'000
(a) Development Bank of Jamaica Limited	1,164,904	1,382,760
(b) National Export-Import Bank of Jamaica Limited	7,291	21,872
(c) Inter-American Investment Corporation	-	74,857
	1,172,195	1,479,489
Interest payable	213	1,310
	1,172,408	1,480,799

The current portion of other borrowed funds was \$264,429,000 (2013 - \$395,256,000).

a) The loans from Development Bank of Jamaica are granted in both Jamaican and United States Dollars and are utilised by the Bank to finance customers with viable projects in the productive sectors of the economy. These loans have maturity dates ranging from June 2015 to 2021 and attract interest at rates ranging from 5% - 10%.

b) The loans from National Export-Import Bank of Jamaica are granted in Jamaican dollars and are utilised by the Bank to finance customers with viable projects in the productive sectors of the economy. These loans have maturity dates ranging from March to July 2015 and attract interest at a rate of 8%.

c) This represents a United States Dollar facility of US\$3,000,000 with an interest rate of 6.50%. The facility expired 15 October 2014.

The exposure of the Bank's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	2014			Total \$'000
	12 months or less \$'000	1-5 years \$'000	Over 5 years \$'000	
(a) Development Bank of Jamaica Limited	257,137	884,305	23,674	1,165,116
(b) National Export-Import Bank of Jamaica Limited	7,292	-	-	7,292
	264,429	884,305	23,674	1,172,408

	2013			Total \$'000
	12 months or less \$'000	1-5 years \$'000	Over 5 years \$'000	
(a) Development Bank of Jamaica Limited	305,818	1,017,671	60,581	1,384,070
(b) National Export-Import Bank of Jamaica Limited	14,581	7,291	-	21,872
(c) Inter-American Investment Corporation	74,857	-	-	74,857
	396,256	1,024,962	60,581	1,480,799

The carrying amounts of the Bank's borrowings are denominated in the following currencies:

	2014 \$'000	2013 \$'000
US dollar	107,729	288,000
Jamaican dollar	1,064,679	1,192,799
	1,172,408	1,480,799

The Bank has no undrawn borrowing facilities. These loans are unsecured.

#### 17. Pensions and Post-Employment Benefit Obligations

The Bank participates in a defined contribution pension scheme started by the ultimate parent company. The scheme is open to employees hired on or after 1 April 2010. Employees contribute 5% of pensionable earnings with the option to contribute an additional 5%. The employer's contributions are currently set at 10%. The Bank's contribution for the year was \$37,443,000 (2013 - \$16,981,000).

The Bank also participates in a defined benefit pension plan operated by the ultimate parent company. The plan, which commenced on 1 January 1975, is funded by employees' contributions at 5% of salary with the option to contribute an additional 5%, and employer's contributions at 2%, as recommended by independent actuaries. Pension at normal post-employment age is based on 2% per year of pensionable service of the average of the highest three years' annual salary during the last ten years of service. This scheme was closed to new members as at 31 March 2010.

In prior year, the parent company had a stated policy of charging the net defined benefit cost of the plan as a whole to individual participating subsidiaries. At each valuation date, sufficient plan assets were allocated to each participating subsidiary to at least cover its obligations under the plan. During the year, the ultimate parent company assumed the defined benefit pension obligations of all companies within the Group participating in this scheme. As a result the ultimate parent company recognises the total pension assets and obligations in respect of this plan. The obligation of the Bank is limited to the regular monthly pension contributions.

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 PWL Transition Limited.

The Bank also participates in a number of other post-employment benefit plans, including group-life, insured and self-insured health care, gratuity and other supplementary plans. These plans are not funded.

The defined benefit plans are valued annually on 31 December by independent actuaries.

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

	Pension		Other post-employment benefits	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Fair value of plan assets	-	826,686	-	-
Present value of funded obligations	-	(826,686)	(179,885)	(190,223)
Liability in the statement of financial position	-	-	(179,885)	(190,223)



### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014

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#### 17. Pensions and Post-Employment Benefit Obligations (Continued)

The amounts recognised in arriving at net profit or loss, in staff costs, were as follows:

	Pension		Other post-employment benefits	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current service cost	65,807	65,268	30,478	25,094
Interest cost on obligation	79,815	85,026	17,553	18,940
Interest income on plan assets	(79,591)	(63,622)	-	-
Past service cost	114,345	-	-	(12,028)
Administration expenses	10,991	-	-	-
Adjustment to Plan Assets	868,612	(86,672)	(53,772)	-
Curtailment	(1,063,828)	-	-	-
	(3,849)	-	(5,741)	32,006

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the date of the statement of financial position. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The amounts recognised in other comprehensive income are as follows:

	Pension		Other post-employment benefits	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Re-measurements of the defined benefit obligation	(24,331)	(67,385)	(3,829)	2,957
Re-measurements of the Plan Assets	28,298	(71,135)	-	-
	3,967	(138,520)	(3,829)	2,957

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

	Pension	
	2014 \$'000	2013 \$'000
Balance at start of year, as restated	826,686	598,578
Employees' contributions	35,006	33,352
Employer's contributions	118	115
Interest income on plan assets	79,591	63,622
Benefits paid	(44,491)	(26,788)
Adjustment to Plan Assets	(868,612)	86,672
Re-measurements of plan assets	(28,298)	71,135
Balance at end of year	-	826,686

The distribution of plan assets for the pension was as follows:

	2014 \$'000	2013 \$'000
Equities	-	144,919
Government of Jamaica securities	-	458,587
Other debt securities	-	36,082
Other	-	187,098
	-	826,686

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

	Present value of funded obligations for:		Other post-employment benefits	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at start of year	826,686	737,213	190,223	155,666
Current service cost	65,807	65,268	30,478	25,094
Employees' contributions	35,006	33,352	-	-
Interest cost	79,815	85,026	17,553	18,940
Benefits paid	(44,491)	(26,788)	(736)	(407)
Administration expenses	10,992	-	-	-
Past service cost vested	114,345	-	(53,772)	(12,028)
Curtailment	(1,063,828)	-	-	-
Re-measurements:				
(Gains)/losses from changes in financial assumptions	-	(10,814)	-	15,048
Experience gains and losses	(24,332)	(56,571)	(3,861)	(12,090)
Balance at end of year	-	826,686	179,885	190,223

The composition of the liability recognised in relation to the other post-employment obligations in the statement of financial position is as follows:

	2014 \$'000	2013 \$'000
Gratuity Plan	29,221	72,169
Group Life Plan	61,402	49,734
Insured Group Health	82,003	66,854
Self Insured Health Plan	7,259	1,466
Liability in the statement of financial position	179,885	190,223

The principal actuarial assumptions used were as follows:

	2014	2013
Discount rate	9.50%	9.50%
Long term inflation rate	5.50%	5.50%
Future salary increases	6.00%	6.00%
Future pension increases	5.50%	5.50%
Medical claims growth	7.00%	7.00%
Average expected remaining working lives (years)	0	22.9

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

	2014	2013
Male	23.26	23.18
Female	26.02	25.98

Mortality assumptions are based on the American 1994 Group Annuity Mortality (GAM94) table.

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 benefits to changes in the principal assumptions is:

	Impact on other employee benefit obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	15,751	(20,512)
Medical inflation rate	1%	(20,819)	16,195

#### 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.

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014

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#### 17. Pensions and Post-Employment Benefit Obligations (Continued)

##### Risks associated with pension plans and other employee benefit plans (continued)

##### 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.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 0.02% of pensionable salaries. The next triennial valuation is due to be completed as at 31 December 2016. The Bank considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

The average duration of the post-employment benefit obligation is as follows:

	Years
Gratuity Plan	10.1
Group Life Plan	14.2
Insured Group Health Plan	19.1
Self Insured Health Plan	12.9
Superannuation Plan	7.1

#### 18. Other Liabilities

	2014 \$'000	Restated 2013 \$'000
Due to fellow subsidiaries	13,418	23,956
Settlement payable	156,870	-
Other accruals	119,985	62,935
Staff vacation and bonus accruals	54,444	115,928
Trade payables	74,692	59,445
Withholding tax payable	16,001	17,066
	435,410	279,330

Total balance falls due within 12 months of the year end.

##### Settlement payable

This amount represents foreign currency spot transactions as at the year end which was subsequently paid after the year end.

#### 19. Share Capital

	2014 \$'000	2013 \$'000
Authorised –		
629,485,000 ordinary shares		
100,000 convertible preference shares		
Issued and fully paid –		
628,670,000 (2013 – 628,585,000) ordinary shares of no par value	2,377,685	1,527,685
100,000 non-redeemable convertible preference shares	886,496	886,496
	3,264,181	2,414,181

##### Capital Injection

In December 2014, 85,000 ordinary shares were allotted to First Global Holdings Limited upon payment of a subscription price of \$850,000,000.

##### Convertible preference shares

In April 2009, the Bank issued 100,000 5.5% non-voting, non-redeemable, non-cumulative, convertible preference shares to International Finance Corporation (IFC) for a cash consideration of US\$10 million. These shares are each convertible into 1,536.55 ordinary shares. After their third anniversary of ownership by IFC, these preference shares are convertible to ordinary shares at IFC's option under certain conditions. The shares may, however, be converted at any time if they are owned by a member of the GraceKennedy Group. If there is a Change in Control of the Bank as defined by the agreement, the shares will be immediately converted into ordinary shares.

During the year, all the preference shares previously held by the IFC in the bank were sold to First Global Holdings on 2 July 2014 and the beneficial titles to the shares was transferred to FGH, free and clear of any liens or encumbrances.

Declaration of dividends on these preference shares is at the discretion of, and requires approval from, the Bank's Board of Directors. Such declarations are possible only if there are Available Distributable Profits, as defined by the agreement. Dividends on ordinary shares are subordinate to dividends on these preference shares. Additionally, the preference shareholders are not entitled to further distributions.

In the event of liquidation, preference shareholders are entitled to the aggregate paid-up Share Subscription Price, as defined by the agreement, plus accrued and unpaid preferred dividends after all debt obligations have been met. These preference shareholders have priority over the ordinary shareholders, subject to the availability of adequate net assets.

#### 20. Statutory Reserve Fund

This fund is maintained in accordance with Section 8 of the Banking Act which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank. During the year the Bank transferred \$47,465,000 (2013 - \$83,022,000) to this reserve.

#### 21. Fair Value Reserve

This represents the net unrealised losses on the revaluation of investment securities amounting to \$6,295,000 (2013 – gains of \$314,317,000), and is shown net of attributable deferred taxation credit of \$3,168,000 (2013 – charge of \$104,774,000).

#### 22. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 7).

#### 23. Retained Earnings Reserve

The Banking Act permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

#### 24. Stock Option Reserve

The Bank participates in the 2003 Stock Option Plan for the Managers of GraceKennedy Limited (Senior Managers Plan) and the 2008 Stock Option Plan for the Permanent Employees of GraceKennedy Limited (Permanent Employees Plan), operated by the ultimate parent company in which management and key employees may participate. 10,000,000 shares have been allocated to each plan since their inception. Allocations were approved at Annual General Meetings of the ultimate parent company. The plans provide for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issues, and reclassifications or similar corporate changes in the ultimate parent company.

The subscription prices of the options granted are generally determined by using the weighted average prices of the ultimate parent company's shares on the Jamaica Stock Exchange for the previous ten trading days prior to the date on which each set of options is approved, less a discount of 25% for the Permanent Employees Plan. The options granted under the provisions of the Senior Managers Plan are exercisable over a period of six years while the options granted under the provisions of the Permanent Employees Plan are exercisable over a period of three months from their grant dates, at the end of which unexercised options will expire. The options granted under the Permanent Employees Plan were fully vested at grant date, while 1/3 of the total grants under the Senior Managers Plan will vest on each anniversary of the grant.

The movement in the number of stock options outstanding for the year and their related weighted average exercise prices were as follows:

	2014		2013	
	Average exercise price in \$ per share	Options '000	Average exercise price in \$ per share	Options '000
At beginning of year	50.83	177	50.83	221
Forfeited	50.83	(17)	50.83	(44)
At end of the year	50.83	160	50.83	177

Stock options outstanding at the end of the year have the following expiry dates and exercise prices:

Year of expiry	Exercise price in \$ per share	2014 '000	2013 '000
2016	50.83	160	177

The fair value of the options granted determined using the Black-Scholes valuation model was \$8,231,000. The significant inputs into the model were the weighted average share prices of \$51.00, \$55.65 and \$61.20 at the grant dates, exercise prices of \$50.83, \$41.67 and \$61.20, standard deviation of expected share price returns of 33.2% option life of six years and three months and risk-free interest rates of 7.48%, 6.51% and 6.28%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the terms of the options.



### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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(expressed in Jamaican dollars unless otherwise indicated)

#### 25. Interest Income on Securities

	2014 \$'000	2013 \$'000
Interest income was earned on –		
Investments classified as available-for-sale	896,016	861,840
Securities purchased under resale agreements	10,491	6,820
	<u>906,507</u>	<u>868,660</u>

#### 26. Fee and Commission Income

	2014 \$'000	2013 \$'000
Credit related	301,463	237,061
Retail banking	195,112	187,189
Other	226,892	161,452
	<u>723,467</u>	<u>585,702</u>

#### 27. Gain on Investment Activities

	2014 \$'000	2013 \$'000
Gain on sale of investments classified as available-for-sale	28,057	182,188
Losses on debt exchange transactions	-	(45,088)
(Losses)/Gain on revaluation of put option	(2,947)	5,264
	<u>25,110</u>	<u>142,364</u>

#### 28. Staff Costs

	2014 \$'000	2013 \$'000
Wages and salaries	940,871	786,413
Statutory contributions	82,805	65,864
Pension benefits		
Defined contribution scheme	37,443	16,981
Defined benefit scheme (Note 17)	(3,849)	-
Other post-employment benefits (Note 17)	(5,741)	32,006
Other	105,186	95,338
	<u>1,156,715</u>	<u>996,602</u>

#### 29. Administration and Other Expenses

	2014 \$'000	2013 \$'000
Advertising and publicity	83,961	58,950
Asset Tax	42,307	36,449
Auditors' remuneration	14,414	7,900
Bank charges	51,954	42,608
Computer expenses	90,175	79,899
Credit card expenses	55,738	40,384
Directors' emoluments	9,009	7,343
Fees and charges	26,073	31,437
Group expenses	376,432	312,181
Insurance and licensing	70,493	60,300
Irrecoverable General Consumption Tax	95,066	83,511
Postage and courier	18,376	17,597
Professional fees	26,120	17,786
Property costs, maintenance and utilities	233,258	194,575
Stationery	14,923	14,734
Other	102,345	42,309
	<u>1,310,644</u>	<u>1,047,763</u>

Group expenses incurred relate to royalties and management fees paid to its parent and ultimate parent company.

#### 30. Taxation

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

	2014 \$'000	2013 \$'000
Deferred taxation (Note 12)	2,502	157,608

The tax on the profit before tax differs from the theoretical amount that would arise using the basic statutory rate of 33½% as follows:

	2014 \$'000	2013 \$'000
Profit before taxation	318,935	715,958
Tax calculated at a tax rate of 33½%	106,312	238,653
Adjusted for the effects of –		
Tax free income	(105,567)	(78,120)
Preference dividends	(20,015)	(15,546)
Asset tax	14,102	12,184
Expenses disallowed for tax purposes and other charges	7,670	437
	<u>2,502</u>	<u>157,608</u>

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

	2014		
	Before tax \$'000	Tax charge/ (credit) \$'000	After tax \$'000
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Realised losses on available-for-sale investments	(108,732)	36,244	(72,488)
Unrealised gains on available-for-sale investments	418,355	(139,451)	278,904
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of pension and other employment benefit obligation	(138)	70	(68)
	<u>309,485</u>	<u>(103,137)</u>	<u>206,348</u>

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

	2013		
	Before tax \$'000	Tax charge/ (credit) \$'000	After tax \$'000
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Realised losses on available-for-sale investments	(137,100)	45,700	(91,400)
Unrealised losses on available-for-sale investments	(272,518)	90,840	(181,678)
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of pension and other employment benefit obligation	135,563	(45,188)	90,375
	<u>(274,055)</u>	<u>91,352</u>	<u>(182,703)</u>

#### 31. Related Party Transactions and Balances

(a) The statement of financial position includes balances, in the ordinary course of business, with the ultimate parent company, fellow subsidiaries, key management personnel (directors and senior executives) and other related parties as follows:

	2014 \$'000	2013 \$'000
Loans -		
Key management personnel	42,654	57,657
Other related entities	96,766	119,008
	<u>139,420</u>	<u>176,665</u>
Loans to key management personnel and other related entities -		
Balance as at 1 January	176,665	147,102
Loans advanced	3,854	37,532
Loan repayments received	(41,154)	(8,027)
Interest charged	10,985	12,284
Interest received	(10,930)	(12,226)
Balance as at 1 January	<u>139,420</u>	<u>176,665</u>

The loans to Key management personnel attract interest rates ranging between 0% - 17.25% (2013 - 0% - 15%) and are repayable in the years 2015 - 2033. These loans are secured and are made on terms similar to those offered to other employees. No provision has been required in 2014 and 2013 for the loans made to directors and senior managers.

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

#### 31. Related Party Transactions and Balances (Continued)

	2014 \$'000	2013 \$'000
Other assets –		
Fellow subsidiaries	2,411	3,382
Customer deposits –		
Ultimate parent company	1,069,457	410,896
Fellow subsidiaries	2,948,631	2,539,722
Key management personnel	223,512	191,340
Other related entities	507,456	1,033,320
	<u>4,749,056</u>	<u>4,175,278</u>
Securities sold under repurchase agreements –		
Fellow subsidiaries	-	50,060
Other liabilities –		
Fellow subsidiaries	13,418	23,956

(b) The statement of comprehensive income includes transactions, in the ordinary course of business, with the ultimate parent company, fellow subsidiaries, key management personnel (directors and senior executives) and other related parties as follows:

	2014 \$'000	2013 \$'000
Interest earned on loans –		
Key management personnel	3,169	3,587
Other related entities	8,072	8,697
	<u>11,241</u>	<u>12,284</u>
Interest earned on cash and other accounts –		
Ultimate parent company	1,483	1,285
Fellow subsidiaries	37,539	4,806
Key management personnel	474	273
Other related entities	1,233	917
	<u>40,729</u>	<u>7,281</u>
Interest earned on securities purchased under resale agreements -		
Fellow subsidiaries	249	243
Interest incurred on customer deposits –		
Ultimate parent company	67,887	25,540
Fellow subsidiaries	64,711	68,190
Key management personnel	6,532	3,771
Other related entities	13,720	10,453
	<u>152,850</u>	<u>107,954</u>
Interest incurred on securities sold under repurchase agreements -		
Fellow subsidiaries	3,311	2,474
Staff costs – key management personnel		
Directors	40,166	29,441
Senior executives	149,407	123,202
	<u>189,573</u>	<u>152,643</u>
Administration and other expenses –		
Ultimate parent company	382,602	312,181
Fellow subsidiaries	81,428	39,746
Directors' fees	9,009	7,343
	<u>473,039</u>	<u>359,270</u>
Other related entities primarily represent entities which are under the control of directors of the Bank.		

#### 32. Commitments and Contingent Liabilities

##### Operating lease commitments

Future lease payments under operating lease commitments are payable in the year ending:

	2014 \$'000	2013 \$'000
2014	-	94,853
2015	99,141	93,434
2016	71,049	48,749
2017	36,922	153,352
2018 and beyond	83,354	-
	<u>290,466</u>	<u>390,388</u>

##### Loan commitments

Loans approved but not disbursed at year end amounted to \$2,043,880,000 (2013 - \$2,898,656,000).

##### Contingent liabilities

Guarantees and letters of credit for which the Bank has an indirect obligation at year end amounted to \$693,963,000 (2013 - \$562,574,000). The current portion of guarantees and letters of credit amounted to \$110,760,000 (2013 - \$122,979,000).

#### 33. Litigation, Claims and Assessments

The Bank is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Bank, and the amount can be reasonably estimated.

In respect of claims asserted against the Bank, according to the principles outlined above, which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Bank which is immaterial to both its financial position and results of operations.

#### 34. Restatement

A restatement was made to the financial statements for the years ended 31 December 2012 and 2013. The Bank adopted IFRIC 21, 'Levies', effective 1 January 2014 resulting in no liability being recognised as at 31 December 2014 for Assets Tax due in March 2015. In addition, the statements of financial position as at 31 December 2013 and 31 December 2012 have been restated for liability recognised for the Assets Tax due in March 2014 and 2013 respectively.

The tables below reflect the effect of the above restatement on the statement of comprehensive income for the year ended 31 December 2013 and the statement of financial position for the years ended 31 December 2012 and 2013. The statement of comprehensive income for the year ended 31 December 2013, the statement of financial position for the years ended 31 December 2013 and 2012 along with the affected notes to the financial statements were appropriately restated in accordance with the requirements of IAS 1.

##### Statement of comprehensive income for the year ended 31 December 2013

	As Previously Stated \$'000	Restatement \$'000	Restated \$'000
Administration and other expenses	(1,052,635)	4,872	(1,047,763)
Profit before taxation	711,086	4,872	715,958
Net profit	553,478	4,872	558,350
Total comprehensive income	370,775	4,872	375,647

##### Statement of financial position as at 31 December 2013

	As Previously Stated \$'000	Restatement \$'000	Restated \$'000
Other liabilities	320,651	(41,321)	279,330
Retained earnings	819,258	41,321	860,579
Total equity	5,631,234	41,321	5,672,555

##### Statement of financial position as at 31 December 2012

	As Previously Stated \$'000	Restatement \$'000	Restated \$'000
Other liabilities	245,883	(36,449)	209,434
Retained earnings	436,837	36,449	473,286
Total equity	5,314,204	36,449	5,350,653